

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





GREAT FALLS SCHOOL DISTRICT 1 & A

FINANCIAL REPORT

June 30, 2019



C O N T E N T S

	<u>PAGE</u>
LETTER OF TRANSMITTAL.....	1 through 6
ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS.....	7
INDEPENDENT AUDITOR’S REPORT.....	8 through 10
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	11 through 19
FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position.....	20
Statement of Activities	21
Fund Financial Statements	
Balance Sheet - Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	25 and 26
Statement of Net Position - Internal Service Funds	27
Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds	28
Statement of Cash Flows - Internal Service Funds	29
Statement of Net Position - Fiduciary Funds	30
Statement of Changes in Fiduciary Fund Net Position.....	31
Notes to Financial Statements	32 through 77

C O N T E N T S (C O N T I N U E D)

	<u>PAGE</u>
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund	78
Notes to Budgetary Comparison Schedule	79
Schedule of Changes in the Total OPEB Liability	80
Schedule of Proportionate Share of the Net Pension Liabilities	81
Schedule of Contributions	82
Notes to Required Supplemental Information	83 through 88
OTHER SUPPLEMENTAL SCHEDULES	
Schedule of Revenues and Expenditures - All Fund Accounts - Extracurricular Fund	89
Schedule of Enrollment	90
SINGLE AUDIT SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	91 and 92
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	93 and 94
Schedule of Expenditures of Federal Awards	95
Notes to Schedule of Expenditures of Federal Awards	96
Schedule of Findings and Questioned Costs	97
Status of Prior Audit Findings	98



Great Falls Public Schools

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LETTER OF TRANSMITTAL

The Great Falls School District, in its 131th year of operation, is the second largest district in the state and the third largest employer in Great Falls. Approximately 2,000 local residents are employed by the school district in a variety of capacities. This includes teachers of just over 10,000 students enrolled in 21 schools. Approximately 600 support staff provide adult supervision in special education, assist in classrooms, prepare and serve meals, clean and maintain two million square feet of buildings, repair boilers and plumbing, and maintain 295 acres of grounds. Another 300, mostly part-time people, coach students in after school sports programs and approximately 225 people are employed on a regular basis as substitute teachers.

Great Falls, the seat for Cascade County operations, serves as a major hub for business for the central and northern part of the State. There are excellent medical, college and vocational technology education options for people in this area of the State as well. Because of the community size and number of businesses located here, there is a stable source of employment. More retired people are moving into the district to take advantage of the excellent health care system. Malmstrom Air Force Base also has a major impact on the vitality of the community. Below are a number of identified topics that have an impact on the general operations of the Great Falls Public School District.

FUNDING

Funding Assumptions

In preparing for the 2018-2019 budget, the District assumed the following:

- Rolling the 2017-2018 general educational program budget into the 2018-2019 school year required an additional \$1,920,000 in spending, due to contractual obligations and projected increases in health insurance premiums and general operational costs.
- Inflationary increases to the State funding formula along with ANB calculations, resulted in additional state funding for the 2018-2019 school year of approximately \$550,000.
- Comparing the expected budget increase required to maintain the same programs and the additional revenue from the State, there was a significant anticipated shortfall. The District made approximately \$1,565,000 in reductions to balance the budget.

Data for Achievement Funding

This State formula funding component required schools to create a comprehensive student data system. The District uses the funding for a student performance data dashboard that allows us to track a variety of student performance measures in real time, rather than a just a few times per year. In both the 2017-18 and 2018-19 fiscal years, the revenue for this component was withheld by the State, leaving the District with a little over a \$215,000 revenue shortfall in the General Fund budget each year.

FUNDING (CONTINUED)

Data for Achievement Funding (Continued)

The funding was withheld due to a revenue shortfall at the State level, attributed to expenses in fighting higher than normal statewide fires. In a special session, Senate Bill 261 identified areas for reduction depending on the amount of revenue received by the State. Data for Achievement funding was located in the lowest level and was eliminated because the State did not reach \$2.18 billion dollars in revenue.

Levy Election

The trustees chose to run a General Fund budget operational levy in the amount of \$1,349,048 in the elementary district. The levy failed with 9,678 against and 8,090 voting for the levy.

Multi-district Agreements

The District continued its participation in two Multi-district Agreements. The technology based agreement involved Belt Public Schools and Vaughn Elementary School. The second agreement, between the high school and elementary districts, provides an avenue to help balance the fiscal imbalance that exists due to increasing enrollment in the elementary and decreasing enrollment in the high school.

Federal Funding

Federal Funding has, once again, remained relatively stable from Fiscal Year 2018 to Fiscal Year 2019. The Title I, Title II, Title III and Title IV grants, known collectively as the consolidated grant application, remained consistent with slight changes due to changing demographics, but no funding changes over \$10,000. Great Falls, once again, received approximately \$180,000 in Title IV, Innovative Education Grant funds. Our District used these funds to expand the Career Pathways and Homeless program supports. However, a recent state meeting indicated many schools have not expended these funds, so Title IV funds are in jeopardy at the Federal level.

IDEA Funding

This funding has remained stable, while special education student enrollment has increased significantly. The result is that current State and Federal dollars are inadequate to meet the needs of children with disabilities enrolled in Great Falls Public Schools. This has required the District to use a permissive levy to provide the necessary funding supports. This situation is, in part, a result of the failure of the U.S. Congress to meet the original promise of funding 40% of the cost of special education. At this time Federal funds account for approximately 18% of the cost of special education. A State funding increase of 0.83% resulted in about \$20,000 in additional State dollars. While any increase is appreciated, this increase is inadequate when attempting to meet increasing salary, benefit, and operating costs.

In addition, ongoing changes to the Affordable Care Act, and the potential impact on Medicaid may mean that the cost of services to children with disabilities will be passed on to local taxpayers at an accelerated rate. Great Falls recently signed a billing agreement with Montana School Services. This service should expedite the billing process, as well as provide encrypted communication and data storage for Medicaid records. This will also help our billing services to remain current, changing as the Medicaid rates and regulations change. The Medicaid funds generated are used to pay the staff, in essence creating support for children that are at least, in part, self-funding.

FUNDING (CONTINUED)

IDEA Funding (Continued)

While Federal Funding for Vocational programs such as the Perkins Grant and Career and Technical Education programs increased for the past several years, the 2019-2020 grants indicate stable funding. These programs are very beneficial in linking our students to potential employment opportunities. Recent data indicates this is a significant factor in keeping youth in high school. The ongoing trend regarding funding is a critical consideration in the ability of Great Falls Public Schools to assure students are college and career ready.

Impact Aid Funds

This funding has decreased over the past five years but appears to be reaching a level of stability. There has been legislative action that could potentially increase Impact Aid funding, but recent discussions suggest providing the funds to the parents as vouchers as opposed to direct payments to schools. This would diminish any increased funding for schools. At this time, no decision has been made on how Impact Aid will be distributed in the coming years. Overall, Impact Aid is significantly smaller than it was one decade ago. It still remains subject to the diverse staffing patterns related to the needs of Malmstrom Air Force Base. Currently, Impact Aid provides approximately \$470,000 per year in funding support for Great Falls Public Schools.

At this time the outlook for Federal funding is almost impossible to predict and remains, at best, a portion of the complex political maneuvering occurring at the federal level. To address this it will be critical that both Federal Programs personnel and the Great Falls Public Schools administration plan carefully, funding core academic needs first, and then looking at how additional staffing, with an assurance of only one year of employment, can also have a positive impact on instructional programs and student achievement. It continues to be advisable that some portion of the funds remain very fluid, being used for one-time needs such as curriculum, and allowing the flexibility to make supplies and instructional materials budget cuts as funding fluctuates year to year. To begin this process the Title I budgets were reduced for the 2019-2020 school year resulting in the loss of 4.0 FTE positions. However, this cut, along with the small budget cushion it creates will enable the District to deal with minor changes in grant funding.

PRE-SCHOOL PROGRAM EARLY LEARNING FAMILY CENTER

The Skyline School continues to serve as an excellent location for the Pre-School Program. While the pre-school program continues to do an excellent job of serving our youngest students, the 2018-2019 school year was a challenging one. The loss of the Pre-school Development Grant, due to the sunset of the grant, resulted in the loss of \$520,000 in funding. A later pay out of grant funds resulted in a reallocation of \$260,000, with the knowledge that the money will be gone by June of 2020. The Montana Comprehensive Literacy Grant provides \$97,500 in Literacy funding, but this grant also ends in September of 2020. To address these cuts, several staff were moved to alternative positions and support positions such as the Family Engagement and Instructional Coach positions were eliminated, with these teachers returning to the classroom.

PRE-SCHOOL PROGRAM EARLY LEARNING FAMILY CENTER (CONTINUED)

Efforts are underway to develop a Task Force to look at the needs of pre-school students in Great Falls and potential funding sources. Without a long term stable funding plan, the preschool will be unable to plan year to year, resulting in diminished services and an inability to make student placement until the fall of each year. At this time the Task Force is in the planning stages with the target of having a long-term plan by January or February of 2020.

The District leased out space at Skyline. The rental income helps support the ongoing costs associated with heating and lighting for this building which, in turn, helps support the quality educational programs for young children.

ENROLLMENT

Enrollment has a major impact on the District's budget as State funds for education are mainly distributed on a per pupil formula. The District experienced an overall decline of nine students from the previous school year. The number of elementary students increased by forty-seven students. Middle school enrollment remained stable and high school dropped by fifty six students.

The District continues to be optimistic about enrollment due to these factors:

- The promising economic growth forecasted for Great Falls.
- The new affordable housing developments that are being constructed.
- The community's efforts around Graduation Matters that is keeping more high school students in school.

EDUCATIONAL PROGRAMMING INFORMATION

Staffing

Positions in special education, chemistry, counseling, student support (aides, substitute teachers, crossing guards, and para-educators) and food services continue to be hard to fill. For the past few years, GFPS has not filled all elementary teaching positions at the start of the school year due to the lack of high quality applicants. In some cases, non-competitive salaries are a factor.

Benefits are a key factor in the recruitment and retention of staff. GFPS has an Insurance Committee that studies the trends and works to recommend a suitable health insurance plan at a price that employees and the District can afford. An approximate 4% increase for the 2018-2019 year in health insurance premiums was shared by the employees and GFPS. The District, on a recommendation from the District Insurance Committee, opted to leave CIGNA and create a self-insurance fund.

EDUCATIONAL PROGRAMMING INFORMATION (CONTINUED)

Student Demographics

Just over seventy four percent of the students attending school in Great Falls are Caucasian. Native American students comprise 9.16% percent of the student body which makes Great Falls the second largest Montana District for Native American students. Multiracial and Hispanic students make up 13.34 % of the student population and African Americans make up 1.89% of the student demographics. 9.74% of the students are classified as needing special education services and 4.48% are classified as Limited English Proficient. Malmstrom Air Force Base is located in Great Falls with 10.89% of the students being associated with the military.

Poverty and Homeless Students

During the 2018-19 school year, over 50.97% percent of elementary students in Great Falls Public Schools came from families that qualify for free or reduced lunch. Cascade County has the highest percent of Free/Reduced Lunch eligibility students in the AA counties in Montana. Homeless students in the District increased slightly from the 2017-18 school year, creating another new high of 416 for the District. This number of homeless students has had a major impact on not only the students who are homeless, but also the transportation budget because the District is required to allow each homeless student to attend the school they were enrolled in at the time they became homeless.

FACILITIES ACTION PLAN AND OTHER IMPROVEMENTS

Facilities Action Plan

The Great Falls School District has a reputation for the quality of the care for district facilities. The average age of buildings in the District is 60 years. Millions of dollars are needed to repair heating and plumbing systems, circulate adequate fresh air, save energy on utility use, and bring schools in line with life safety requirements such as: security, alarm systems, and egress/lock systems. The District updated the Facilities Condition Inventory (FCI) which identifies the areas which need to be addressed in each building.

In 2016, the voters approved the elementary and high school district bonds totaling \$98.865 million. The approved Facilities Action Plan provides for \$45,907,033 in elementary district projects and \$52,951,752 in high school district projects. The elementary project work is well underway with completion of Giant Springs Elementary School that opened at the beginning of the school year. Continued upgrading of infrastructure is occurring in District-wide buildings. The Longfellow Elementary School replacement began in the 2018-19 school year. High school projects include upgrading infrastructure at Great Falls High School, C.M. Russell High School and Paris Gibson Education Center. At Great Falls High School, construction began on the Career and Technical Education (CTE) Building, lunch/dining areas, along with building entrances that will be centered in a HUB between the existing main building and South Campus. The new phone system which uses Voice-Over Internet Protocol (VOIP), has been installed and is completely functional.

FACILITIES ACTION PLAN AND OTHER IMPROVEMENTS (CONTINUED)

Energy Improvements

During the 2010-11 school year, the District spent \$8.3 million on energy upgrades throughout the district. Energy cost savings continue to be on target each year to provide the funding to make the annual loan payment. The loans are scheduled to be paid off in 2026. The District continues to take advantage of North Western Energy rebates to make the District more energy efficient. Great Falls Public Schools electricians continue to replace existing lighting with more energy efficient LED lights. New construction is focusing on energy efficiency as well.

Completed Facility Improvements

During the 2018-19 school year, many facility improvements included paving, mechanical system work, utilities upgrades, elevator installations, window replacement projects, parking lot asphalt, carpeting, sidewalk replacements, drain collection, and landscaping. The District also focused on safety issues including the replacement of fire alarm and intercom systems and the addition of line of site cameras to the administrative offices in all buildings. The District also improved the fire exiting capabilities of the fieldhouse at Great Falls High School.

Technology

The District's goal is to infuse the tools of modern business and research into the school setting by increasing student access to technology. The District receives \$225,000 in funding annually through a Technology Levy to improve the infrastructure in the District. The District will continue to address infrastructure and equipment issues. Great Falls Public Schools receives the second lowest amount on a per pupil basis in the form of a Technology Levy when comparing the AA and A Montana School Districts.

District Reserves – GASB 54

Policy 7515 implemented Governmental Accounting Standards Board (GASB) 54. This accounting standard requires districts to designate fund balances into specific categories of non-spendable, restricted, committed, assigned, and unassigned. This policy, which is required of all governmental units, helps the district provide a clearer picture of reserves and their purpose to local patrons.

CONTACT FOR ADDITIONAL INFORMATION

If you have questions about this report or need additional information, contact Brian Patrick, the Director of Business Operations for the Great Falls Public School District at 406-268-6050.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
ORGANIZATION
June 30, 2019

BOARD OF TRUSTEES

Jan Cahill Chairperson
Jeff Gray Vice-Chairperson
Jason Brantley Trustee
Mark Finnicum Trustee
Gordon Johnson Trustee
Teresa Schreiner Trustee
Kim Skornogoski Trustee

OFFICIALS

Tammy Lacey District Superintendent of Schools
Diane Heikkila County Superintendent of Schools
Joshua Racki County Attorney
Brian Patrick Director of Business Operations

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Great Falls School District 1 & A
Cascade County
Great Falls, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis and the other required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental schedules on pages 89 and 90 are presented for purposes of additional analysis as required by the Montana Office of Public Instruction and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplemental schedules on pages 89 and 90 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The letter of transmittal on pages 1 through 5 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
December 16, 2019

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019 (Unaudited)

The discussion and analysis of Great Falls School District 1 & A, Cascade County, Great Falls, Montana's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- Total current assets, which include cash, investments, receivables, inventories and prepaid expenses, decreased by \$17,659,999.
- Long term assets increased by \$20,122,048 due to the improvements made on the District facilities as result of the bond passage.
- Current liabilities increased by \$598,818, while long-term liabilities increased by \$1,839,242, due to the issuance of the remaining bonds. All bonds from the 2016 election are now issued.
- In total, net position increased \$4,209,018, from a negative \$30,815,661, after restatement, to a negative \$26,606,643, which represents a 13.66% increase. In fiscal year 2018 net position increased \$9,104,076, from a negative \$39,919,737, after restatement, to a negative \$30,815,661, which represented a 22.81% increase.
- Total revenues for the District increased by \$1,603,221 which can be attributed mainly to increases in the District levy, Direct State Aid, State Guaranteed Tax Base (GTB) subsidy, Federal Impact Aid revenue and Interest and Increase in fair market value of investments. These increases were offset by decreases in Other State revenue, the reoffering premium on the bond issuance and the loss on disposal of assets.
- General revenues accounted for \$98,021,180 in revenue or 85.48% of all revenues. Program specific revenues, in the form of charges for services and operating grants and contributions, accounted for \$16,655,732 or 14.52% of total revenues of \$114,676,912. When compared to fiscal year 2018, general revenues increased by \$1,346,570 while program specific revenues increased by \$256,651, for a net increase in total revenues of \$1,603,221.
- The District had \$110,475,345 in expenses, which included an increase in Instructional Services of \$2,626,635, or 4.15%. \$16,655,732 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes, state and county equalization and federal impact aid) of \$98,021,180 were enough to provide for these programs so reserves were not used to fund the difference.
- Among the major funds, the general fund had \$73,398,912 in revenues, \$72,261,115 in expenditures, and \$488,371 of transfers out, leading to an increase in fund balance of \$649,426.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2019 (Unaudited)

**USING THIS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)
REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund.

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Position and Statements of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private – sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in Montana restricting revenue growth, facility condition, required educational programs and other factors.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins on page 22. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the elementary impact aid fund, and the elementary and high school districts building funds.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2019 (Unaudited)

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (CONTINUED)

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for 2019 compared to 2018.

Table 1 – Net Position

	2019	2018	Annual Change	
			Amount	Percent
ASSETS AND DEFERRED OUTFLOWS				
Current assets, including cash, investments, receivables, inventories, and prepaid expenses	\$ 84,727,988	\$ 102,387,987	\$ (17,659,999)	-17.25%
Long-term assets, including investments and capital assets comprised of land, buildings, improvements, machinery/equipment	<u>77,900,226</u>	<u>57,778,178</u>	<u>20,122,048</u>	34.83%
Total assets	<u>162,628,214</u>	<u>160,166,165</u>	<u>2,462,049</u>	1.54%
Deferred outflows of resources	<u>15,323,298</u>	<u>8,978,419</u>	<u>6,344,879</u>	70.67%
Total assets and deferred outflows of resources	<u>177,951,512</u>	<u>169,144,584</u>	<u>8,806,928</u>	5.21%
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities	4,647,082	4,048,264	598,818	14.79%
Long-term liabilities	<u>196,002,022</u>	<u>194,162,780</u>	<u>1,839,242</u>	0.95%
Total liabilities	<u>200,649,104</u>	<u>198,211,044</u>	<u>2,438,060</u>	1.23%
Deferred inflows of resources	<u>3,909,051</u>	<u>1,749,201</u>	<u>2,159,850</u>	123.48%
Total liabilities and deferred inflows of resources	<u>204,558,155</u>	<u>199,960,245</u>	<u>4,597,910</u>	2.30%
NET POSITION				
Net investment in capital assets	5,384,274	5,921,224	(536,950)	-9.07%
Restricted	75,982,314	100,231,441	(24,249,127)	-24.19%
Unrestricted	<u>(107,973,231)</u>	<u>(136,968,326)</u>	<u>28,995,095</u>	21.17%
Total net position	<u>\$ (26,606,643)</u>	<u>\$ (30,815,661)</u>	<u>\$ 4,209,018</u>	13.66%

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2019 (Unaudited)

THE DISTRICT AS A WHOLE (CONTINUED)

Total current and long term assets of governmental activities increased by \$2,462,049. Cash and cash equivalents decreased by \$23,028,798 and taxes receivable decreased by \$50,065. Due from other governments decreased by \$20,819, and capital assets increased by \$25,509,591. Current liabilities increased by \$598,818, while long-term liabilities in the form of debt for the energy project improvements, compensated absences payable, the PERS and TRS pension liabilities, the OPEB liability and the bonds issued for facilities improvement increased by \$1,839,242. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints, increased by \$28,995,095, while restricted net position decreased by \$24,249,127. The net increase in unrestricted net position is due to GASB Statement No. 68, which required districts to state the long term impact of potential retirements. The net decrease in restricted net position is due to the use of the bond proceeds.

Table 2 shows the changes in net position for fiscal years 2019 and 2018.

Table 2 – Changes in Net Position

	2019	2018	Annual Change		Percent of Total
			Amount	Percent	
REVENUES					
Program revenues:					
Charges for services	\$ 1,184,479	\$ 1,157,065	\$ 27,414	2.37%	1.03%
Operating grants and contributions	15,471,253	15,242,016	229,237	1.50%	13.49%
General revenues:					
District levy	35,195,681	32,694,233	2,501,448	7.65%	30.69%
Direct state aid	32,327,486	31,970,893	356,593	1.12%	28.19%
State guaranteed tax base subsidy	14,918,981	13,404,428	1,514,553	11.30%	13.01%
Other state revenue	427	163,642	(163,215)	-99.74%	0.00%
PERS and TRS support revenue	2,815,943	2,342,082	473,861	20.23%	2.46%
Federal impact aid revenue	743,460	552,873	190,587	34.47%	0.65%
County retirement distribution	10,317,732	10,231,213	86,519	0.85%	9.00%
Interest and increase in fair market value of investments	1,376,329	385,143	991,186	257.36%	1.20%
Miscellaneous	1,208,407	874,152	334,255	38.24%	1.05%
Special item - gain (loss) on disposal of assets	(279,090)	(9,941)	(269,149)	2707.46%	-0.24%
Special item - reoffering premium on bond issuance	-	4,950,586	(4,950,586)	-100.00%	0.00%
Transfers	(604,176)	(884,694)	280,518	-31.71%	-0.53%
Total revenues	<u>114,676,912</u>	<u>113,073,691</u>	<u>1,603,221</u>	1.42%	100.00%

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2019 (Unaudited)

THE DISTRICT AS A WHOLE (CONTINUED)

Table 2 – Changes in Net Position (Continued)

	2019	2018	Annual Change		Percent of Total
			Amount	Percent	
PROGRAM EXPENSES					
Regular Programs:					
Instructional services	50,340,760	47,754,191	2,586,569	5.42%	45.57%
Supportive services	3,301,161	3,267,795	33,366	1.02%	2.99%
Education. media services	1,853,907	1,958,500	(104,593)	-5.34%	1.68%
General admin. services	2,369,084	2,299,120	69,964	3.04%	2.14%
School admin. services	4,767,208	4,811,348	(44,140)	-0.92%	4.32%
Business services	2,242,984	2,304,340	(61,356)	-2.66%	2.03%
Operation and maintenance services	11,722,580	10,780,268	942,312	8.74%	10.61%
Special programs:					
Instructional services	13,647,575	13,613,541	34,034	0.25%	12.35%
Supportive services	3,815,177	2,406,680	1,408,497	58.52%	3.45%
School admin. services	513,411	427,391	86,020	20.13%	0.46%
Student transportation services	1,164,557	1,115,530	49,027	4.39%	1.05%
Vocational programs:					
Instructional services	1,882,833	1,876,801	6,032	0.32%	1.70%
Extracurricular activities	1,700,148	1,664,911	35,237	2.12%	1.54%
School food services	4,170,638	4,215,149	(44,511)	-1.06%	3.78%
Student transportation services	2,170,619	2,079,107	91,512	4.40%	1.96%
Interest on long term debt	<u>4,812,703</u>	<u>3,403,043</u>	<u>1,409,660</u>	41.42%	4.36%
Total expenses	<u>110,475,345</u>	<u>103,977,715</u>	<u>6,497,630</u>	6.25%	100.00%
Change in net position	<u>\$ 4,201,567</u>	<u>\$ 9,095,976</u>	<u>\$ (4,894,409)</u>	-53.81%	

Governmental Activities

Total property tax levies in the form of a District Levy made up 30.69% of revenues for governmental activities for the District for fiscal year 2019. General revenues accounted for \$98,021,180 or 85.48% of total revenues. These general revenues increased when compared to fiscal year 2018 by \$1,346,570. This is primarily the result of increases in the District Levy and State Guaranteed Tax Base aid. Other State revenue decreased from \$163,642 to \$427 due to legislative changes, including replacing the State Block Grant funds with Guaranteed Tax Base funding. Total mills to local taxpayers increased by less than 1 mill (0.93) from the previous year, which is a significant decline. The General Fund Budget mills decreased by 21.53 due to an adjustment in the State funding formula. This was offset by an increase of 17.61 mills in the Debt Service Fund. This is attributed to a second and final bond sale in the high school district and selling the remaining bonds in the elementary district. The District ran a mill levy request in the Elementary District for \$1,349,048, which would have been for approximately 9.84 mills, but this levy failed. The Building Reserve Fund experienced a slight increase of 1.31 mills as Senate Bill 307, now Montana Law 20-9-116 MCA, allows the District to permissively levy taxes to address items identified in the Facilities Condition Inventory (FCI). The number of mills levied for the Tuition fund increased by 3.20. The taxable valuation for the District also increased, by \$2,633 in the elementary district increased and by \$2,598 in the high school district. Operating grants and contributions increased by \$229,237, due to an increase in federal and state grants received.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2019 (Unaudited)

THE DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities (Continued)

Instructional service expenses include activities dealing directly with interaction between teachers and students. Instructional service expenses, included in regular, special and vocational program categories, compose 59.63% of the District expenses.

	2019	2018	Annual Change		Percent of Total Expenses
			Amount	Percent	
Instructional services					
Regular programs	\$ 50,340,760	\$ 47,754,191	\$ 2,586,569	5.42%	45.57%
Special programs	13,647,575	13,613,541	34,034	0.25%	12.35%
Vocational programs	<u>1,882,833</u>	<u>1,876,801</u>	<u>6,032</u>	0.32%	1.70%
Total instructional services	<u>\$ 65,871,168</u>	<u>\$ 63,244,533</u>	<u>\$ 2,626,635</u>	4.15%	59.63%

The remaining 40.37% of District expenses consist of expenses relating to the following support areas: supportive services, educational media services, general administrative services, school administrative services, business services, operation and maintenance services, central services, student transportation services, and school food services.

Supportive services include activities which provide administration, technical and logistical support to enhance instruction including student aides for a day care, playground, study hall, bus aides, guidance services, counseling services, psychological services, speech pathology service, occupational and physical therapy services, curriculum development and staff development services. The supportive services portion of the budget increased by \$1,441,863. This is a 25.41% increase from the previous year. A significant increase in Special Education students prompted an increase in psychological, speech pathology, as well as occupational and physical therapy services.

Educational media services include activities concerned with the use of teaching and learning resources, audiovisual services, computer assisted instruction and library and media services.

General administrative services include activities of establishing policy by the Board of Trustees and administrating policy by the Superintendent in connection with operating the District.

School administrative services include activities concerned with overall administrative responsibility for a group of schools.

Business services include activities concerned with paying for, transporting, exchanging and maintaining goods and services for the District. Included are fiscal and internal services necessary for operating the District.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2019 (Unaudited)

THE DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities (Continued)

Operation and maintenance services include activities concerned with keeping the physical plant open, comfortable, and safe for use and in effective working condition and state of repair. The operations and maintenance service portion of the budget increased by \$942,312. This is an 8.74% increase from the previous year. The previous year was low due to the large number of bond projects and limited time by our staff to address District facilities issues. With increased square footage due to bond projects, additional staff were hired to clean and maintain these areas.

Central services include activities for supporting the District's information technology system including administrative network, data processing for managerial, administrative and student data analysis.

Student transportation services include activities concerned with the conveyance of students to and from school as provided by State and Federal law. There was an increase of \$140,539 in student transportation services for the fiscal year.

Extracurricular activities include school sponsored activities that are not part of the regular instructional programs and they also include school sponsored athletic sports involving competition between schools. Extracurricular activities spent \$35,237 more than the prior fiscal year, which equates to a 2.12% increase in expenditures. Increases can be attributed to annual adjustments to coaching salaries, increased travel costs, and improvements made to district facilities, paid for from the athletic section of the budget.

School food services include activities concerned with providing food to students and staff in a school or school district. It includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food. School food services spent \$44,511 less than the prior fiscal year, which is a 1.06% decrease. This decrease demonstrates less money being spent on renovation and minor remodeling. A high rate of staff turnover affects the budget as well due to new employees starting at the bottom of the pay scales.

The dependence on tax revenues is apparent. Over 69% of the District's instructional services activities (\$65,595,705) are supported through local taxes (district levy and county retirement distribution) and for all activities, general revenue support is 85.48%. The community as a whole is the primary support for the District.

The District's Funds

Information about the activity of the District's major funds for the fiscal year ended June 30, 2019 begins on page 22. These funds are accounted for using the modified accrual basis of accounting. Governmental funds in total had revenues of \$115,610,243 and expenditures of \$138,377,897, which was an increase of \$4,505,208 in expenditures from the prior year. The excess of expenditures over revenues for the year was \$22,767,654, before other financing uses of \$595,325. The majority of this deficit is attributed to the Capital Outlay that covers the cost of construction by the bonds.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2019 (Unaudited)

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Montana law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2019, the District continued to fine-tune the classification of expenditure accounts based upon recommended State accounting guidelines. Significant budgetary changes in services categories resulted in the process. Program expenditures were reclassified in supportive services, educational media services, and business services, and budget variances compared to the prior fiscal year changed due to the re-categorization of accounts.

CAPITAL ASSETS

At the end of fiscal year 2019, the District had \$66,127,354 invested in land, buildings, machinery and equipment, net of depreciation.

Table 3 shows fiscal year 2019 balances compared to fiscal year 2018:

Table 3 – Capital Assets (Net of Depreciation)

	2019	2018	Annual Change		Percent of Total
			Amount	Percent	
Land	\$ 1,448,518	\$ 1,448,518	\$ -	0.00%	2.19%
Construction in progress	43,227,928	25,372,048	17,855,880	70.38%	65.37%
Buildings	19,139,747	11,433,548	7,706,199	67.40%	28.94%
Machinery and equipment	<u>2,311,161</u>	<u>2,363,649</u>	<u>(52,488)</u>	-2.22%	3.50%
Totals	<u>\$ 66,127,354</u>	<u>\$ 40,617,763</u>	<u>\$ 25,509,591</u>	62.80%	100.00%

Overall net capital assets increased by \$25,509,591 when compared to fiscal year 2018. Increases in the net cost of buildings and machinery and equipment were the result of purchases made for construction in progress. See notes to the basic financial statements for a breakdown of depreciation expense on page 45.

DEBT ADMINISTRATION

At June 30, 2019, the District has a long term debt obligation of \$196,002,022. \$91,442,909 comes from the District's PERS and TRS pension liabilities, as well as the total OPEB liability. The compensated absences payable of \$8,626,179 is the District's long-term debt accrual for future compensation for unclaimed leave accumulated per law. \$95,331,252 comes from (1) low interest energy bonds initiated in fiscal year 2011 to fund a major energy renovation in the district and (2) general obligation bonds issued in fiscal year 2017 in the amount of \$58,710,000 and (3) general obligation bonds issued in fiscal year 2018 in the amount of \$40,155,000.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2019 (Unaudited)

DEBT ADMINISTRATION (CONTINUED)

The energy bonds are being paid back over fifteen years by using the savings in projected energy costs. The general obligation bonds are being paid back over twenty years. The general obligation bonds issued equate to 100% of the total of \$98,865,000 in bonds approved by the voters. The remainder of \$601,682 comes from the IBNR payable in the Self Insurance Fund.

Long-term debt balances are as follows:

IBNR payable	\$ 601,682
Compensated absences payable	8,626,179
Bonds payable, net of current portion	95,331,252
Total OPEB liability	6,694,433
PERS pension liability	10,718,863
TRS pension liability	<u>74,029,613</u>
	<u>\$ 196,002,022</u>

For an analysis of the activity in long-term debt for fiscal year 2019, see the long-term debt note to the basic financial statements beginning on page 46.

CURRENT FINANCIAL ISSUES AND CONCERNS

Major bond related project work continued in the district. Construction began on the Longfellow Elementary School replacement project. Progress was made on the Great Falls High School HUB connector that connects the Main Campus building with the South Campus building. Boiler replacement projects occurred at Sacajawea Elementary School, Riverview Elementary School, and the Paris Gibson Education Center. Roofing projects also occurred at Paris Gibson Education Center and Great Falls High School. The food processor system was relocated from Longfellow Elementary School to the District Warehouse. Additional work at CM Russell High School included building structural improvements and window replacements.

The district self-insured health insurance fund ended with a positive balance at the end of the second year of operation. Blue Cross, Blue Shield handled the administrative function for the district. The district entered into an agreement with Community Health Care Centers, now known as Alluvion, to serve district staff at a reduced rate. The District also opened clinics in two schools to allow for easier access to coverage for District employees.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the School District's finance and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Brian Patrick, Director of Business Operations, Great Falls School District 1 & A, Cascade County, 1100 4th Street South, Great Falls, MT 59403 or e-mail at brian_patrick@gfps.k12.mt.us.

FINANCIAL STATEMENTS

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets:	
Cash and investments	\$ 82,294,479
Taxes receivable	1,044,341
Due from other governments	324,637
Inventories	266,992
Prepaid expenses	797,539
Total current assets	84,727,988
Noncurrent assets:	
Cash and investments	11,772,872
Capital assets:	
Land and improvements	1,448,518
Buildings and improvements	59,992,083
Machinery and equipment	6,676,378
Construction in progress	43,227,928
Less accumulated depreciation	(45,217,553)
Total capital assets, net of depreciation	66,127,354
Total noncurrent assets	77,900,226
Deferred outflows of resources:	
Pension contributions and adjustments	14,466,473
OPEB contributions and adjustments	856,825
Total deferred outflows of resources	15,323,298
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 177,951,512
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Current liabilities:	
Other current liabilities	\$ 603,359
Current portion of bonds payable	4,043,723
Total current liabilities	4,647,082
Noncurrent liabilities:	
IBNR liability	601,682
Compensated absences payable	8,626,179
Bonds payable (net of current portion)	95,331,252
Total OPEB liability	6,694,433
TRS pension liability	74,029,613
PERS pension liability	10,718,863
Total noncurrent liabilities	196,002,022
Deferred inflows of resources:	
Pension adjustments	3,909,051
Total deferred inflows of resources	3,909,051
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	204,558,155
NET POSITION	
Net investment in capital assets	5,384,274
Restricted for:	
Program	75,982,314
Unrestricted	(107,973,231)
TOTAL NET POSITION	(26,606,643)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 177,951,512

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
GOVERNMENTAL ACTIVITIES:					
Regular Programs:					
Instructional services	\$ 50,340,760	\$ 181,557	\$ 54,630	\$ -	\$ (50,104,573)
Supportive services	3,301,161	-	-	-	(3,301,161)
Educational media services	1,853,907	-	-	-	(1,853,907)
General administrative services	2,369,084	-	-	-	(2,369,084)
School administrative services	4,767,208	-	-	-	(4,767,208)
Business services	2,242,984	-	-	-	(2,242,984)
Operation and maintenance services	11,722,580	73,408	-	-	(11,649,172)
Special Programs:					
Instructional services	13,647,575	-	11,301,202	-	(2,346,373)
Supportive services	3,815,177	-	-	-	(3,815,177)
School administrative services	513,411	-	-	-	(513,411)
Student transportation services	1,164,557	-	-	-	(1,164,557)
Vocational Programs:					
Instructional services	1,882,833	-	-	-	(1,882,833)
Extracurricular activities	1,700,148	-	-	-	(1,700,148)
School food services	4,170,638	929,514	3,464,124	-	223,000
Student transportation services	2,170,619	-	651,297	-	(1,519,322)
Interest on long-term debt	4,812,703	-	-	-	(4,812,703)
Total Governmental Activities	<u>\$ 110,475,345</u>	<u>\$ 1,184,479</u>	<u>\$ 15,471,253</u>	<u>\$ -</u>	<u>(93,819,613)</u>

GENERAL REVENUES:

District levy	35,195,681
Direct state aid	32,327,486
State guaranteed tax base subsidy	14,918,981
Other state revenue	427
PERS and TRS support revenue	2,815,943
Federal impact aid revenue	743,460
County retirement distribution	10,317,732
Interest and increase in fair market value of investments	1,376,329
Miscellaneous	1,208,407
Special item - loss on disposal of capital assets	(279,090)
Transfers - to interlocal fund	(604,176)
Total general revenues	<u>98,021,180</u>
Change in net position	<u>4,201,567</u>
Net position at July 1	(30,815,661)
Prior period adjustments	<u>7,451</u>
Net position at July 1, as restated	<u>(30,808,210)</u>
Net position at June 30	<u><u>\$ (26,606,643)</u></u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2019

	General Fund	Impact Aid Elementary	Building Elementary	Building High School	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 9,781,520	\$ 9,525,018	\$ 24,891,729	\$ 27,319,214	\$ 19,464,485	\$ 90,981,966
Taxes receivable	720,741	-	-	-	323,600	1,044,341
Due from other governments	-	-	-	-	324,637	324,637
Inventories	149,882	-	-	-	117,110	266,992
Prepaid expenses	<u>797,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>797,539</u>
TOTAL ASSETS	<u>\$ 11,449,682</u>	<u>\$ 9,525,018</u>	<u>\$ 24,891,729</u>	<u>\$ 27,319,214</u>	<u>\$ 20,229,832</u>	<u>\$ 93,415,475</u>
LIABILITIES						
Other current liabilities	\$ 603,359	\$ -	\$ -	\$ -	\$ -	\$ 603,359
TOTAL LIABILITIES	<u>603,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,359</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue for taxes receivable	<u>720,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,600</u>	<u>1,044,341</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>720,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,600</u>	<u>1,044,341</u>
FUND BALANCES						
Nonspendable	947,421	-	-	-	117,110	1,064,531
Restricted	789,267	9,525,018	24,891,729	27,319,214	13,457,086	75,982,314
Committed	7,398,131	-	-	-	-	7,398,131
Assigned	954,548	-	-	-	6,385,017	7,339,565
Unassigned	<u>36,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,981)</u>	<u>(16,766)</u>
TOTAL FUND BALANCE	<u>10,125,582</u>	<u>9,525,018</u>	<u>24,891,729</u>	<u>27,319,214</u>	<u>19,906,232</u>	<u>91,767,775</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 11,449,682</u>	<u>\$ 9,525,018</u>	<u>\$ 24,891,729</u>	<u>\$ 27,319,214</u>	<u>\$ 20,229,832</u>	<u>\$ 93,415,475</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 June 30, 2019

Total fund balance - governmental funds	\$ 91,767,775
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of the assets is \$111,269,255, and the accumulated depreciation is \$45,205,785.	66,063,470
Property taxes receivable expected to be collected in the following year, but are not available soon enough to pay for the current period's expenditures, and therefore are reflected as unearned revenue in governmental funds.	1,044,341
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences payable of \$8,626,179, bonds payable of \$99,374,975, the net other post-employment benefits obligation of \$6,694,433, the PERS pension liability of \$10,718,863, and the TRS pension liability of \$74,029,613.	(199,444,063)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in governmental funds. Deferred outflows for PERS were \$2,469,817, TRS were \$11,996,656, and OPEB were \$856,825, for a total of \$15,323,298. Deferred inflows for PERS were \$2,709,134 and TRS were \$1,199,917, for a total of \$3,909,051. Deferred outflows for.	11,414,247
An internal service fund is used by management to charge the costs of purchasing services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	<u>2,547,587</u>
Total net position - governmental activities	<u>\$ (26,606,643)</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Impact Aid Elementary	Building Elementary	Building High School	Other Governmental Funds	Total Governmental Funds
REVENUES						
District levy	\$ 21,351,957	\$ -	\$ -	\$ -	\$ 13,893,789	\$ 35,245,746
Interest and decrease in fair market value of investments	41,391	199,544	508,688	470,696	156,010	1,376,329
Miscellaneous	-	-	60,213	18	1,148,176	1,208,407
Direct state aid	32,327,486	-	-	-	-	32,327,486
State guaranteed tax base subsidy	14,918,981	-	-	-	-	14,918,981
State special education	2,083,488	-	-	-	-	2,083,488
Other state payments	-	-	-	-	427	427
Federal/state/local aid	-	673,754	-	-	12,798,428	13,472,182
County reimbursement	-	-	-	-	10,666,314	10,666,314
State reimbursement	-	-	-	-	310,461	310,461
PERS and TRS support revenue	2,614,552	11,291	-	-	190,100	2,815,943
Tuition and fees	61,057	-	-	-	193,908	254,965
Lunch sales	-	-	-	-	929,514	929,514
Total	<u>73,398,912</u>	<u>884,589</u>	<u>568,901</u>	<u>470,714</u>	<u>40,287,127</u>	<u>115,610,243</u>
EXPENDITURES						
Current:						
Regular Programs:						
Instructional services	40,164,534	1,233	-	-	8,228,696	48,394,463
Supportive services	2,879,530	-	-	-	305,324	3,184,854
Educational media services	1,634,620	-	-	-	191,179	1,825,799
General administrative services	2,031,890	1,369	9,950	5,013	299,547	2,347,769
School administrative services	4,387,164	-	-	-	401,873	4,789,037
Business services	2,097,160	-	-	-	178,426	2,275,586
Operation and mainten- ance services	9,130,946	-	1,140,944	388,482	608,020	11,268,392
Special Programs:						
Instructional services	2,804,737	123,719	-	-	10,667,270	13,595,726
Supportive services	2,559,673	84,051	-	-	1,151,495	3,795,219
School administrative services	228,008	-	-	-	285,321	513,329
Student transportation services	-	-	-	-	1,169,129	1,169,129
Vocational Programs:						
Instructional services	1,723,678	-	-	-	130,222	1,853,900
Extracurricular activities	1,524,057	-	-	-	104,299	1,628,356
School food services	-	-	-	-	4,166,330	4,166,330
Student transportation services	-	-	-	-	2,172,340	2,172,340
Capital outlay	447,722	-	8,348,144	18,158,564	190,175	27,144,605
Debt service	647,396	-	-	-	7,605,667	8,253,063
Total	<u>72,261,115</u>	<u>210,372</u>	<u>9,499,038</u>	<u>18,552,059</u>	<u>37,855,313</u>	<u>138,377,897</u>
Excess of revenues over expenditures	<u>1,137,797</u>	<u>674,217</u>	<u>(8,930,137)</u>	<u>(18,081,345)</u>	<u>2,431,814</u>	<u>(22,767,654)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfer in (out)	(488,371)	-	-	-	(115,805)	(604,176)
Sale of capital assets	-	-	7,134	1,717	-	8,851
	<u>(488,371)</u>	<u>-</u>	<u>7,134</u>	<u>1,717</u>	<u>(115,805)</u>	<u>(595,325)</u>
NET CHANGE IN FUND BALANCE	<u>649,426</u>	<u>674,217</u>	<u>(8,923,003)</u>	<u>(18,079,628)</u>	<u>2,316,009</u>	<u>(23,362,979)</u>
Fund balance at July 1	9,476,066	8,850,801	33,814,732	45,398,842	17,582,862	115,123,303
Prior period adjustment	90	-	-	-	7,361	7,451
Fund balance at July 1, as restated	<u>9,476,156</u>	<u>8,850,801</u>	<u>33,814,732</u>	<u>45,398,842</u>	<u>17,590,223</u>	<u>115,130,754</u>
Fund balance at June 30	<u>\$ 10,125,582</u>	<u>\$ 9,525,018</u>	<u>\$ 24,891,729</u>	<u>\$ 27,319,214</u>	<u>\$ 19,906,232</u>	<u>\$ 91,767,775</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
 ACTIVITIES
 For the Year Ended June 30, 2019

Total net change in fund balance - governmental funds \$ (23,362,979)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$27,144,605) exceeds depreciation expense (\$1,380,098). 25,764,507

Sale of capital assets in governmental funds represents gross proceeds received from the sale, while the statement of activities reflected the loss on the sale (gross proceeds less net cost). (287,941)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are unearned in the governmental funds, but have been recognized as revenue in previous periods in the statement of activities. Unearned tax revenues decreased by this amount this year. (50,065)

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or paid. This is the amount by which vacation and sick leave earned exceeded the amounts used. (677,156)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,440,360

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
 ACTIVITIES (CONTINUED)
 For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities are different because (continued):

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. The cost of pension benefits earned that exceeded the employee contributions, is reported within governmental activities. (808,518)

In the statement of activities, the accrued cost associated with the provision of other post-employment benefits as part of the employees overall compensation package is expensed, but is not recognized as an expenditure in governmental funds until paid. (413,195)

The net revenue (\$586,917) of certain activities of internal service funds is reported within governmental activities, not including depreciation expense (\$9,637). 596,554

Total change in net position - governmental activities \$ 4,201,567

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2019

ASSETS	
Cash and investments	\$ 3,085,385
Capital assets, net of accumulated depreciation	<u>63,884</u>
Total assets	<u><u>\$ 3,149,269</u></u>
LIABILITIES	
IBNR payable	<u>\$ 601,682</u>
Total liabilities	<u>601,682</u>
NET POSITION	
Unrestricted	<u>2,547,587</u>
Total liabilities and net position	<u><u>\$ 3,149,269</u></u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
INTERNAL SERVICE FUNDS
For The Year Ended June 30, 2019

OPERATING REVENUES	
Health insurance premiums	\$ 10,114,332
Charges for services	236,626
Interest income	<u>449</u>
Total operating revenues	<u>10,351,407</u>
 OPERATING EXPENSES	
Health insurance payments	8,312,624
Personal services - salaries	80,997
Personal services - benefits	17,117
Stop loss insurance	1,204,490
Other purchased services	88,101
Miscellaneous	51,524
Depreciation	<u>9,637</u>
Total operating expenses	<u>9,764,490</u>
Change in net position	586,917
Net position, beginning of year	<u>1,960,670</u>
Net position, end of year	<u><u>\$ 2,547,587</u></u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
 For The Year Ended June 30, 2019

CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from internal services	\$ 237,075
Cash received from health insurance	10,114,332
Cash paid to employees	(83,115)
Cash paid to suppliers for goods and services for internal services	(139,625)
Cash paid to suppliers for goods and services for health insurance	<u>(9,733,046)</u>
Net cash flows from operating activities	<u>395,621</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(33,025)</u>
Net cash flows from capital and related financing activities	<u>(33,025)</u>
Net increase in cash and cash equivalents	362,596
Cash and cash equivalents, beginning of year	<u>2,722,789</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,085,385</u></u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 586,917
Adjustments to reconcile operating income to	
net cash flows from operating activities:	
Depreciation expense	9,637
Change in payables	<u>(200,933)</u>
Net cash flows from operating activities	<u><u>\$ 395,621</u></u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2019

ASSETS

Cash and investments	\$ 4,041,486
Machinery and equipment	432,292
Less accumulated depreciation	<u>(81,935)</u>
TOTAL ASSETS	<u>4,391,843</u>

NET POSITION

Net position held in trust for student scholarships	\$ 516,222
Net position held in trust for student activities	1,267,859
Net position held in trust for technology purchases	97,202
Net position held in trust for collaborative purchasing	<u>2,510,560</u>
TOTAL NET POSITION	<u>\$ 4,391,843</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 For the Year Ended June 30, 2019

ADDITIONS

Contributions/donations from private sources	\$ 16,000
Transfers from other funds	604,176
Interest and decrease in fair market value of investments	12,992
Student extracurricular activity receipts	<u>2,196,399</u>
Total	<u>2,829,567</u>

DEDUCTIONS

Instruction	3,243
Support	19,656
Operations & maintenance	27,849
Student scholarships	23,946
Student extracurricular activity expenses	<u>2,148,228</u>
Total	<u>2,222,922</u>

Change in net position	606,645
Net position at July 1	<u>3,785,198</u>
Net position at June 30	<u>\$ 4,391,843</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the District are presented below:

Reporting Entity

The District is a primary government, meeting the criteria embodied in GASB Statement No. 61, "The Financial Reporting Entity" of a separately elected governing body, a separate legal standing, and fiscal independency. The District supplies public education services at all levels below the college and university level and actually consists of two legally separate districts - the high school district and the elementary district. Both districts must be maintained separately per state law because of differences in funding provided by the state legislature, but are under common control of a single school board and therefore reported together on the basic financial statements. The school system was established by an act of the State legislature which designated the school board as the governing authority. Members of the school board are elected by the public. The school board has control over hiring and firing employees, the power to contract for schools, authority to purchase equipment, and control over other day-to-day management functions. The school board is responsible for financing the District's deficit and may issue bonds to finance District construction.

The school board was initially responsible for appointing all of the initial members of the board of directors of the Great Falls Public Schools Foundation, a separate 501(c)(3) organization. After the first year of the Foundation, the school board has the responsibility of appointing only a minority membership of the Foundation's board of directors. The relationship between the District and the Foundation does not presently require inclusion of the activity of the Foundation in the financial statements of the District.

Cascade County provides substantial services to the District. Taxes are levied and collected by the county. A small portion of the District's cash is maintained and invested by the county treasurer. However, as management policies of the District are the sole responsibility of the school board, the District is not considered to be a component of the county. The county does not significantly influence the operations of the school system; therefore the District is being treated as a separate and independent unit of local government.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. The following funds are maintained by the District:

Governmental Fund Types

General Fund (Elementary and High School) - accounts for revenues and expenditures not included in any other fund.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Governmental Fund Types (Continued)

Special Revenue Funds

Transportation Fund (Elementary and High School) - accounts for the revenues and expenditures for the District's pupil transportation program.

Bus Depreciation Fund (Elementary and High School) - accounts for the conversion, remodeling, or rebuilding of a bus or for the replacement of a bus or communication systems and safety devices installed on the bus.

Food Services Fund (Elementary) - accounts for that portion of the school food services program which is self-supporting, including state and federal reimbursements. Other costs are budgeted for and expended through the General and Retirement Funds.

Tuition Fund (Elementary and High School) - accounts for tuition payments for students who are residents of the District but attend school outside the District.

Retirement Fund (Elementary and High School) - accounts for the employer's contribution to the Teachers' Retirement System, the Public Employees' Retirement System, Unemployment Insurance, and Social Security.

Miscellaneous Programs Fund (Elementary and High School) - accounts for federal and state grant and reimbursement moneys received by the District.

Adult Education Fund (Elementary and High School) - accounts for the revenue and expenditures for the District's adult education program.

Traffic Education Fund (High School) - accounts for the revenues and expenditures for the District's driver education program.

Impact Act (P.L. 874) Fund (Elementary and High School) - accounts for the receipt and expenditure of Public Law 81-874 Impact Aid moneys.

Lease Rental Agreement Fund (Elementary and High School) - accounts for the rental and lease payments received from District owned property and the expenditure of that money for the maintenance of the property.

Compensated Absence Fund (Elementary and High School) - accounts for moneys transferred from the General Fund for the purpose of paying accumulated compensated absence benefits that a nonteaching employee is entitled to upon termination.

Technology Fund (Elementary and High School) - accounts for state grant money received to be used for technology related expenditures.

Flexibility Fund (Elementary and High School) - accounts for state grant and voted levy moneys received for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Governmental Fund Types (Continued)

Debt Service Fund (Elementary and High School) - accounts for principal and interest payments on outstanding long-term debt and the revenue derived for this purpose from a property tax levy.

Capital Projects Funds

Building Fund (Elementary and High School) - accounts for building repair projects and the insurance proceeds received for that purpose.

Building Reserve Fund (Elementary and High School) - accounts for revenue and expenditures for voter approved improvements, remodeling, or construction of District facilities.

Internal Service Fund

Print Center (Elementary and High School) - accounts for the Print Center operations of the District, which provides services to other departments of the District on a cost reimbursement basis.

Self-Insurance (Elementary and High School) - accounts for financial activities for health plans maintained under 20-3-331, MCA, on a self-insurance basis.

Fiduciary Fund Types

Private Purpose Trust Funds

Endowment Fund (High School) - accounts for endowments received which are to be used for student scholarships, whereby only interest may be used.

Miscellaneous Trust Fund (High School) - accounts for endowments received which are to be used for student scholarships, whereby both principal and interest may be used.

Extracurricular Fund (High School) - accounts for various student activities, such as athletics, clubs, classes, student government organizations, student publications, and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Such a fund is established under the authority of Section 20-9-504, MCA. The Fund is administered by School District administrators and faculty members and the student organizations, operating under guidelines and policies established by the board of trustees and the Montana Association of School Business Officials handbook *Guidelines to Student Activity Fund Accounting*.

Interlocal Agreement Fund (Elementary) - accounts for (1) technology purchases to be made in conjunction with other participating school districts and (2) collaborative purchasing between the Elementary and High School districts. Such a fund is established under the authority of Section 20-3-363, MCA.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Fiduciary Fund Types (Continued)

Agency Funds

Accounts Payable Clearing Fund (High School) - accounts for receipts from operating funds for payment of approved expenditure claims of the District. Cash remaining in this fund at year-end represents warrants issued but not yet presented by the payee for payment. The total of the outstanding warrants are netted against the cash balance of the fund on the basic financial statements.

Payroll Clearing Fund (High School) - accounts for receipts from operating funds for their portions of payroll costs and the payroll disbursements to employees and state and federal agencies. Cash remaining in this fund at year-end represents warrants issued but not yet presented by the payee for payment. The total of the outstanding warrants are netted against the cash balance of the fund on the basic financial statements.

Under state statutes, the General, Transportation, Bus Depreciation, Tuition, Adult Education, Retirement, Technology, Flexibility, Debt Service, and Building Reserve funds are considered budgeted funds, which means that a budget must be adopted in order to spend any money from the funds. The statutes define the Food Services, Compensated Absence, Traffic Education, Miscellaneous Programs, Lease Rental Agreement, Impact Aid (P. L. 874), Building, Endowment, Extracurricular, Miscellaneous Trust and Interlocal Agreement funds as nonbudgeted funds. A budget is not required to spend money from these funds.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole, with the exception of the fiduciary fund types. Any interfund activity has been eliminated to minimize any possible double-counting of such internal activities.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District.

The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from general revenues of the District. The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The emphasis of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A separate statement is presented for the District's fiduciary funds. Generally accepted accounting principles require the general fund be reported as a major fund, as well as all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds. Accordingly, the District reports the general fund, Elementary impact aid fund, and the Elementary and High School District's building funds as major funds.

Measurement Focus/Basis of Accounting

The government-wide financial statements of the District are reported using the economic resources measurement focus under the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements of the District are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

Revenues are recorded when susceptible to accrual, that is, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Certain revenues of the District require specific revenue recognition terms. Under this measurement focus, the District considers property taxes as available if they are collected within 30 days after the date the taxes become delinquent. Uncollected property taxes become delinquent each May 31. Therefore, property tax levies collected through June 30 are reported as revenue in the fiscal year ended June 30.

Amounts not collected by June 30 are reported as unearned revenue. In applying the susceptible to accrual concept to grant revenues, two types of revenues must be considered. In one type, moneys must be expended on the specific purpose or project before any amounts will be paid to the District. Therefore, revenues are recognized based upon the expenditures recorded. In the other type, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These moneys are recognized as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenues of the District are recognized as revenue when both the measurable and available criteria are met. Expenditures are recognized when the liability is incurred, except for unmatured interest on general long-term debt.

Budgets and Budgetary Accounting

A budget is adopted by the board of trustees each fiscal year for the General Fund and those other governmental fund types classified by state law as budgeted funds. A listing of these funds is included above under "Fund Accounting." All budgets are formulated in accordance with state law. The board of trustees must meet on or before August 25 to consider all budget information and must have that final budget adopted by the fourth Monday in August. Budget appropriations not expended or obligated lapse at the end of the fiscal year. The District's budget is prepared on the basis of accounting described above for the governmental fund financial statements. The legal level of control (the level on which expenditures may not legally exceed appropriations) is at the fund level.

The General Fund budget is based on the state's BASE aid, which is designed to equalize taxing effort throughout the state and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Budgeted fund expenditures are limited by state law to budgeted amounts, except that they can be increased for emergencies as defined by state law. Transfers may be made between expenditure objects and/or functions within the same fund.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

All cash and investments of the District's funds, including the cash and investments of the Extracurricular Fund, are held by First Interstate Bank, the county treasurer, and the Big Sky Investment Pool managed by First Interstate Bank.

Capital Assets

All purchased capital assets are valued at historical cost where historical cost records are available and at estimated historical cost where no historical records exist. Purchases of capital assets with a cost of \$5,000 or greater are included as additions to capital assets. Donated capital assets are recorded at estimated fair market value as of the date received. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Machinery and equipment	5-15 years

Inventories

Inventories of food are valued at cost and expensed when used in operations. Inventories of materials and supplies are also valued at cost and expensed when used in operations.

Liability for Compensated Absences

Compensated absences for vacation and sick leave are recorded as expenditures in the governmental funds when taken. Vacation leave, within certain limitations, may be payable to the employee on termination. Sick leave is accumulated for administrative, certified (teaching) and classified (non-teaching) employees at the rate of 12 working days for each year of service. Part-time employees are entitled to prorated benefits upon fulfillment of the qualifying period of time. Upon termination, classified employees are eligible for compensation at one-fourth of the accumulated sick leave amount.

Fund Balance

The District previously implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

The following classifications describe the relative strength of the spending constraints:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through a majority vote on a motion proposed by the Board of Trustees.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Intent can be expressed by the Board of Trustees or by the District's superintendent of schools to which the Board of Trustees delegates that authority.

Unassigned

All other spendable amounts that are not categorized in the above fund balance categories.

The requirements of GASB No. 54 include the restatement of fund balances for reporting on the fund financial statements if a substantial portion of inflows into a special revenue fund are not derived from restricted or committed revenue sources. Of the inflows into the Elementary and High School District's compensated absences funds, a substantial portion is not derived from restricted or committed revenue sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Interfund Transactions

During the course of its operations, the District has transaction between funds for Print Center activities and health insurance. These transactions are generally recorded as charges for services revenue and operations expenditures. These transactions are eliminated in the government-wide financial statements.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

Montana statutes authorize the District to invest in direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union located in the state and insured by the FDIC, FSLIC, or NCUA; in repurchase agreements or in the State Short-Term Investment Pool (S.T.I.P.).

A portion of the cash and investments of the District are held by the county treasurer in the District's name. These monies are not invested in the County pool, and are not generating any investment income for the District. The remaining portion of the District's cash and investments are held in checking accounts, certificates of deposit, and repurchase agreements managed by First Interstate Bank as part of the Big Sky Investment Pool, a unified investment program established and sponsored by the Montana School Boards Association (MTSBA) for participation by MTSBA member school districts under the auspices of and in compliance with MCA Title 7, Chapter 11 (the provisions governing interlocal cooperative agreements) and MCA Title 20, Chapter 9, Part 7 (educational cooperative agreements). The pool is not SEC-registered. Investments of the Big Sky Investment Pool consist of U. S. Government money market funds and U. S. Government Agency Securities. The District receives a pro-rata share of investment earnings from both the county-wide and Big Sky pool at each distribution date. Under generally accepted accounting principles, the District is required to comply with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools." This pronouncement requires governmental entities to record certain investments in external investment pools at fair value, rather than historical cost. The District's investment in U.S. Government Securities is shown at fair value, with the current period's net increase in fair value of \$449,726 being included with interest income on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

At June 30, 2019, the District's cash and investments consisted of the following:

Investment Type	Fair Value	Investment Maturities Less than 1-Year	1-5 Years
County-wide investment pool	\$ 756,806	\$ 756,806	\$ -
Checking accounts	10,689,133	10,689,133	-
Certificates of deposit	225,219	225,219	-
Repurchase agreements	25,054,068	25,054,068	-
U.S. government money market funds	33,028,268	33,028,268	-
U.S. government agencies	24,787,312	13,141,778	11,645,534
Mortgage backed securities	127,338	-	127,338
U.S. treasuries	3,440,693	3,440,693	-
	<u>\$ 98,108,837</u>	<u>\$ 86,335,965</u>	<u>\$ 11,772,872</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District follows Montana State law as it pertains to the type of investments in the District portfolio.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Obligations of or guaranteed by the U.S. government do not require disclosure of credit quality. Investments within S.T.I.P., part of the county-wide investment pool, have credit risk as measured by major credit rating services. This risk is that the issuer of a S.T.I.P. investment may default in making timely principal and interest payments. The Montana Board of Investment's policy requires that S.T.I.P. investments have credit ratings as provided by at least one of the national recognized statistical rating organizations (NRSRO), to assist in the monitoring and management of credit risk. The U.S. Government guarantees the U.S. Government securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed are not considered to have credit risk and do not require disclosure of credit quality per GASB Statement No. 40. The S&P rating service provides the credit quality ratings for S.T.I.P. in total as of June 30, 2019, presented in the following table:

Investment Type	Fair Value (in thousands)	Credit Quality Rating
Treasuries	\$ 310,466	A-1+
Agency or Government Related	356,614	A-1+
Asset Backed Commercial Paper	1,116,921	A-1+
Corporate:		
Commercial Paper	189,596	A-1+
Certificates of Deposit	21,501	A-1+
Total Cash Equivalent Held at Custodial Bank	<u>\$ 1,995,098</u>	

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2019, none of the District's deposits were uninsured and uncollateralized.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a formal investment policy limiting the amount the District may invest in any one issuer. As there is minimal credit risk associated with investments issued or guaranteed by the U.S. Government, no disclosure of concentration of credit risk is required for these investments. The U.S. Government extended the explicit guarantee to certain government agencies such as Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac). Given the explicit guarantee extension, S.T.I.P. had no concentration of credit risk exposure to Fannie Mae and Freddie Mac.

The S.T.I.P. investment policy adopted by the Montana Board of Investments limits concentration of credit risk exposure by limiting portfolio investment types to 3% in any issuer with the exception of U.S. Treasury and U.S. Agency securities as well as any repurchase agreements with a financial institution.

As previously mentioned, GAAP requires investments in U.S. Government securities to be reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach. Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Government agencies and mortgage backed securities – Valued using pricing models maximizing the use of observable inputs for similar securities.

As required under GAAP, investments are classified within the level of lowest significant input considered in determining fair value. GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels as described below.

Level 1: quoted prices in active markets as of the measurement date.

Level 2: quoted prices that are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability.

Level 3: significant unobservable prices or inputs for which there is little or no market activity for the asset or liability at the measurement date.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

The District's investments at June 30, 2019, categorized by level, are summarized below:

	Cost	Fair Value (Level 2)
Certificates of deposit	\$ 223,936	\$ 225,219
U.S. government agencies	26,215,305	24,787,312
Mortgage backed securities	124,688	127,338
US Treasuries	3,409,727	3,440,693
	<u>\$ 29,973,656</u>	<u>\$ 28,580,562</u>

NOTE 3. PROPERTY TAXES RECEIVABLE

The District is permitted by state statutes to levy taxes for various purposes. Property taxes are levied in August of each fiscal year, based on the assessed value as of the prior January 1. Taxes are normally billed in October and are payable 50% by November 30 and 50% by May 31. Property tax lien dates are December 1 and June 1. The taxes levied by the District for the year ended June 30, 2019 were properly established and were within the legal limits as approved by the voters. Property taxes are accounted for and collected by the county treasurer.

As described in Note 1, property taxes are recorded as receivable when they are billed by the county treasurer. Amounts not collected by June 30, but expected to be received in the future, are reported as revenue in the government-wide financial statements when billed and as unearned revenue in the governmental fund financial statements. Protested taxes are also recorded as receivable when the original assessment is billed by the county treasurer. Pursuant to MCA 15-1-402(5)(6), the District is entitled to request an advance of certain protested amounts before the protest is settled. If the amount settled upon is less than any previously received advances, the District is obligated to refund the county treasurer for any excess. The District will then be able to permissively levy this amount in the following fiscal year.

Uncollected property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Cascade County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Cascade County. No allowance for uncollectible property taxes is reflected in the basic financial statements as the District considers all property taxes receivable at June 30, 2019 to be fully collectible.

NOTE 4. DUE FROM OTHER GOVERNMENTS

Due from other governments of \$324,637 consists of \$270,007 due to the Elementary District's miscellaneous programs fund from federal grantor agencies, via the State of Montana's Office of Public Instruction, and \$54,630 due to the High School District's traffic education fund from the State of Montana's Office of Public Instruction.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 5. INVENTORIES

Inventories totaling \$266,992 consist of the following:

	<u>General</u>	<u>Food Services</u>
Paper supplies	\$ 72,554	\$ -
Custodial/miscellaneous supplies	47,621	-
Technology supplies	29,707	-
Food (non-O.P.I)	-	44,684
Food supplies	-	72,426
	<u>\$ 149,882</u>	<u>\$ 117,110</u>

NOTE 6. PREPAID EXPENSES

Prepaid expenses of \$797,539 consist of \$679,211 liability insurance premiums paid in June 2019 to provide coverage during the 2019-2020 fiscal year, and \$118,328 annual support fees paid in June 2019 to provide technology support during the 2019-2020 fiscal year. Both amounts were paid out of the general fund.

NOTE 7. CAPITAL ASSETS

A summary of activity in capital assets follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:					
Land	\$ 1,448,518	\$ -	\$ -	\$ -	1,448,518
Construction in progress	<u>25,372,048</u>	<u>26,408,684</u>	-	<u>(8,552,804)</u>	<u>43,227,928</u>
Total capital assets not being depreciated	<u>26,820,566</u>	<u>26,408,684</u>	-	<u>(8,552,804)</u>	<u>44,676,446</u>
Capital assets being depreciated:					
Buildings	52,283,178	366,548	(1,210,447)	8,552,804	59,992,083
Machinery and equipment	<u>6,375,557</u>	<u>376,301</u>	<u>(75,480)</u>	-	<u>6,676,378</u>
Total capital assets being depreciated	58,658,735	742,849	(1,285,927)	8,552,804	66,668,461
Less accumulated depreciation:					
Buildings	(40,849,630)	(979,210)	976,504	-	(40,852,336)
Machinery and equipment	<u>(4,011,908)</u>	<u>(400,888)</u>	<u>47,579</u>	-	<u>(4,365,217)</u>
	<u>(44,861,538)</u>	<u>(1,380,098)</u>	<u>1,024,083</u>	-	<u>(45,217,553)</u>
Capital assets being depreciated, net	<u>13,797,197</u>	<u>(637,249)</u>	<u>(261,844)</u>	<u>8,552,804</u>	<u>21,450,908</u>
Capital assets, net	<u>\$ 40,617,763</u>	<u>\$ 25,771,435</u>	<u>\$ (261,844)</u>	<u>\$ -</u>	<u>\$ 66,127,354</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 7. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Instructional services	\$ 535,854
Supportive services	558
General administrative services	76,571
Business services	685
Operation and maintenance services	640,793
Extracurricular activities	71,870
School food services	<u>53,767</u>
Total depreciation expense	<u>\$ 1,380,098</u>

The deletions in the above schedule consists of the reduction in the cost of buildings and machinery and equipment of \$1,210,447 and \$75,480, respectively, due to disposals during fiscal year 2019, and the related reduction in accumulated depreciation of \$976,504 and \$47,579, respectively.

NOTE 8. OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2019 of \$603,359 consist of payroll-related liabilities.

NOTE 9. INCURRED BUT NOT REPORTED LIABILITY

The District has a self-insurance medical insurance plan that provides benefits for all employees who meet the qualifications for being covered. Employees have the option to choose between two plans and the contribution rates depend on the plan selected, or they may opt out of the plan.

The insurance costs are deposited into the Self-Insurance Fund as a part of the payroll process. This fund is used to pay claims, stop loss insurance and an administrator to process claims.

IBNR payable, consisting of medical claims incurred but not reported (IBNR) as of June 30, 2019, were estimated to be \$601,682.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 10. LONG-TERM DEBT

Long-Term Debt Transactions

The following is a summary of long-term debt transactions of the District for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Compensated absences payable	\$ 7,949,023	\$ 677,156 *	\$ -	\$ 8,626,179
Bonds payable	<u>102,815,335</u>	<u>-</u>	<u>(3,440,360)</u>	<u>99,374,975</u>
Total	<u>\$ 110,764,358</u>	<u>\$ 677,156</u>	<u>\$ (3,440,360)</u>	<u>\$ 108,001,154</u>

* This is the net increase to compensated absences payable.

Special Improvement District Assessment

The District is charged a special improvement district assessment annually by the City of Great Falls. The District's assessment is for street maintenance, lighting, and curb and gutter improvements made on District owned property. Payments are made from the general funds of both the Elementary and High School Districts.

Compensated Absences Payable

Compensated absences payable, representing vacation and sick leave benefits earned by employees and payable upon termination, are \$8,626,179 and are recorded as a liability in the government-wide financial statements. As benefits earned during the next fiscal year are expected to be used by employees before any accrued benefits, benefits payable at June 30, 2019 are considered a long-term liability. Payment of benefits is expected to be made out of the compensated absences funds of the Elementary and High School Districts.

Bonds Payable

On April 27, 2011, the District issued \$8,365,000 in Qualified School Construction Bonds, \$6,510,000 in the Elementary District and \$1,855,000 in the High School District, to provide financing for the installation and construction of certain energy efficiency improvements to be installed at all facilities within the District. The obligation of the District to make payments on the bonds shall be a limited general obligation payable from any legally available funds as provided under Section 20-9-471, MCA. Unlike general obligation bonds, the full faith and credit and taxing power of the District is not pledged to the repayment of the bonds. The bonds are payable only from money available in the general fund or any other legally available fund of the District, but the District cannot increase mill levies to pay debt service on the bonds. The District anticipates energy cost savings to be sufficient to service the bond debt.

As the bonds are issued as Qualified School Construction Bonds under Section 54F of the Internal Revenue Code of 1986 (the Code), the bonds are classified as "specified tax credit bonds" within the meaning of Section 6431(f)(3) of the Code. This results in the District being entitled to a credit provided in Section 6431(f). As such, the District's effective interest rate due on the outstanding principal owed on the bonds is reduced from 6.35% per annum to 1.09% per annum.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 10. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

For the fiscal year ended June 30, 2019, the effective interest rate was slightly higher due to the government sequester reduction, which resulted in a 5.6% reduction in the subsidy payment received. The effect of the government sequester on fiscal year 2019 is scheduled to be a 5.9% reduction.

On February 21, 2017, the District issued \$58,710,000 in general obligation bonds, \$34,675,000 in the Elementary District and \$24,035,000 in the High School District, to be used for building, altering, repairing, buying, furnishing, equipping, purchasing lands for, and/or obtaining a water supply for a school, teacherage, dormitory, gymnasium, or other building. Payments are to be made from the debt service funds of both the Elementary and High School Districts.

On March 29, 2018, the District issued \$40,155,000 in general obligation bonds, \$11,235,000 in the Elementary District and \$28,920,000 in the High School District, to be used for building, altering, repairing, buying, furnishing, equipping, purchasing lands for, and/or other building. Payments are to be made from the debt service funds of both the Elementary and High School Districts.

Bonds payable as of June 30, 2019 are as follows:

Date of Issue	Term	Effective Interest Rate	Annual Serial Payment	Issued	Retired	Outstanding 6/30/19	Current Portion
<u>Elementary</u>							
4/27/2011	15 years	1.09%	Varies	\$ 6,510,000	\$ (3,019,599)	\$ 3,490,400	\$ 469,843
2/21/2017	20 years	2.89%	Varies	34,675,000	(1,810,000)	32,865,000	1,225,000
3/29/2018	20 years	3.13%	Varies	11,235,000	(280,000)	10,955,000	395,000
<u>High School</u>							
4/27/2011	15 years	1.09%	Varies	1,855,000	(860,423)	994,575	133,880
2/21/2017	20 years	2.92%	Varies	24,035,000	(1,320,000)	22,715,000	875,000
3/29/2018	20 years	2.95%	Varies	28,920,000	(565,000)	28,355,000	945,000
Total bonds payable						<u>\$ 99,374,975</u>	<u>\$ 4,043,723</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 10. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

The annual requirements to amortize all bond debt outstanding as of June 30, 2019, including interest payments of \$45,327,497, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 4,043,723	\$ 4,210,121	\$ 8,253,844
2021	4,213,167	4,065,860	8,279,027
2022	4,383,733	3,919,575	8,303,308
2023	4,585,460	3,742,955	8,328,415
2024	4,778,391	3,566,935	8,345,326
2025-2029	24,640,501	14,554,897	39,195,398
2030-2034	29,095,000	8,921,756	38,016,756
2035-2038	<u>23,635,000</u>	<u>2,345,398</u>	<u>25,980,398</u>
Total	<u>\$ 99,374,975</u>	<u>\$ 45,327,497</u>	<u>\$ 144,702,472</u>

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY

For purposes of measuring the net OPEB liability (NOL), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Plan Description

The District's Health Plan (the Health Plan) is a single-employer defined benefit healthcare plan administered by the District. The Health Plan provides medical and prescription drug expenses for retirees and their spouses. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate stand-alone financial report.

Benefits Provided

Participants are eligible for benefits upon retirement. Benefits are in the form of access to the District's medical plans. Retirement eligibility is the earlier of age 50 and five years of service or any age with 25 years of service. Benefits continue for the retirees and their spouses' lifetime.

Other benefit provisions apply.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY
(CONTINUED)

Employees Covered by Benefit Terms

At the census date of June 30, 2019, the benefit terms covered the following employees:

<u>Category</u>	<u>Count</u>
Inactive employees or beneficiaries currently receiving benefit payments	62
Inactive employees entitled to but not yet receiving benefit payment	-
Active employees	670

Contributions

Benefit contributions are paid by the District as they come due.

Total OPEB Liability (TOL)

The District's NOL was measured as of June 30, 2019, and the TOL used to calculate the NOL was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The TOL in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary increases:	Individual and aggregate salary increases 4.00%
Investment rate of return:	3.13%
Pre-Medicare healthcare cost trend rates:	7.00% in the first year, trending down to 3.94% over 56 years
Medicare healthcare cost trend rates:	6.50% in the first year, trending down to 3.94% over 56 years

Mortality rates were based on RPH 2014 Mortality tables, with mortality improvement scales applied.

Discount Rate

The discount rate used to measure the TOL was 3.13%. The District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY
(CONTINUED)

Total OPEB Liability (Continued)

Discount Rate (Continued)

Changes in the TOL for the year ended June 30, 2019 are as follows:

	<u>Total OPEB Liability</u>
Balance as of June 30, 2018	\$ 5,424,413
Changes for the year:	
Service cost	364,098
Interest	198,116
Differences between expected and actual experience	811,095
Change in assumptions	152,834
Benefit payments	(43,992)
Implicit rate subsidy fulfilled	<u>(212,131)</u>
Net change	<u>1,270,020</u>
Balance as of June 30, 2019	<u>\$ 6,694,433</u>

There is sensitivity of the TOL to changes in the discount rate. The TOL of the District, as well as what the District's TOL would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	2.13%	3.13%	4.13%
Total OPEB liability (asset)	<u>\$ 7,252,919</u>	<u>\$ 6,694,433</u>	<u>\$ 6,184,352</u>

There is also sensitivity of the TOL to changes in the healthcare cost trend rates. The TOL of the District as well as what the District's TOL would be if it were recalculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current healthcare cost trend rate follows:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	6.00% decreasing to 2.94%	7.00% decreasing to 3.94%	8.00% decreasing to 4.94%
Total OPEB liability (asset)	<u>\$ 6,109,414</u>	<u>\$ 6,694,433</u>	<u>\$ 7,382,747</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY
(CONTINUED)

Total OPEB Liability (Continued)

Discount Rate (Continued)

For the year ended June 30, 2019, the District recognized an OPEB expense of \$669,318. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 720,973	\$ -
Change of assumptions	<u>135,852</u>	<u>-</u>
Total	<u>\$ 856,825</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Amount
2020	\$ 107,104
2021	107,104
2022	107,104
2023	107,104
2024	107,104
Remaining	321,305

The implicit subsidy arises when an employer allows a retiree (and their dependents) to continue on the active plan and pay the active premiums. Retirees are not paying the true cost of their benefits because they have higher utilization rates than actives and therefore are partially subsidized by the active employees. Once a retiree reaches Medicare eligibility, the rates are sufficient to cover the true costs and there is no implicit subsidy.

	Actual <u>June 30, 2019</u>	Projected <u>June 30, 2020</u>
Funded Status as of:		
Total OPEB liability	\$ 6,694,433	\$7,115,834
Covered payroll	\$35,716,812	\$37,145,484
Total OPEB liability as a percentage of covered payroll	18.7%	19.2%
	<u>2018-2019</u>	<u>2019-2020</u>
Expense	\$669,318	\$778,563

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS

The information provided herein is for employer's who are using a June 30, 2018 measurement date for the June 30, 2019 reporting. Employers are provided guidance in GASB 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employers are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

	The employer's proportionate share associated with TRS	The employer's proportionate shared associated with PERS	The employer's total pension amounts
Total pension liability	\$ 239,482,551	\$ 14,660,591	\$ 254,143,142
Fiduciary net position	165,452,938	3,941,728	169,394,666
Net pension liability	74,029,613	10,718,863	84,748,476
Deferred outflows of resources	11,996,656	2,469,817	14,466,473
Deferred inflows of resources	1,199,917	2,709,134	3,909,051
Pension expense	9,363,119	549,212	9,912,331

Teachers Retirement System

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability (NPL). In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective NPL that is associated with the employer.

The following table displays the amounts and the percentages of NPL for the fiscal years ended June 30, 2019 and 2018 (reporting dates):

	Net Pension Liability as of June 30, 2019	Net Pension Liability as of June 30, 2018	Percent of Collective NPL as of 6/30/19	Percent of Collective NPL as of 6/30/18	Change in Percent of Collective NPL
GREAT FALLS SCHOOL DISTRICT 1 & A Proportionate share	\$ 74,029,613	\$ 67,140,901	3.9884%	3.9821%	0.0063%
STATE OF MONTANA Proportionate share associated with employer	<u>45,976,833</u>	<u>42,618,104</u>	<u>2.4771%</u>	<u>2.5276%</u>	<u>-0.0505%</u>
Total	<u>\$ 120,006,446</u>	<u>\$ 109,759,005</u>	<u>6.4655%</u>	<u>6.5097%</u>	<u>-0.0442%</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Net Pension Liability (Continued)

At June 30, 2019, the District recorded a liability of \$74,029,613 for its proportionate share of the NPL. The NPL was measured as of June 30, 2018, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of July 1, 2018. Therefore, no update procedures were used to roll forward the TPL to the measurement date. The District's proportion of the NPL was based on the employer's contributions received by TRS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2019, the District's proportion was 3.9884 percent.

Changes in Actuarial Assumptions and Other Inputs:

As a result of the recent actuarial experience study, dated May 3, 2018, the following changes to the actuarial assumptions were made since the previous measurement date:

- Assumed rate of inflation was reduced from 3.25% to 2.50%.
- Payroll growth assumption was reduced from 4.00% to 3.25%.
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated.
- Termination rates were updated.
- Rates of salary increases were updated.

Changes in Benefit Terms:

There have been no changes in benefit terms since the previous measurement date.

Changes in Proportionate Share:

There were no changes between the measurement date of the collective pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective NPL. If there were changes that are expected to have an impact on the NPL, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective NPL, if known.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Pension Expense

	Pension Expense as of June 30, 2019
GREAT FALLS SCHOOL DISTRICT 1 & A	
Proportionate share	\$ 6,588,934
STATE OF MONTANA	
Proportionate share associated with employer	2,774,185
	\$ 9,363,119

At June 30, 2019, the District recognized a pension expense of \$6,588,934 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$2,774,185 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

Deferred Inflows and Outflows

At June 30, 2019, the employer reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 528,297	\$ 46,194
Changes in actuarial assumptions	6,034,580	109,592
Differences between projected and actual investment earnings	-	668,237
Changes in proportion and differences between actual and expected contributions	110,603	375,894
*Contributions paid to TRS subsequent to the measurement date - FY2019 Contributions	5,323,176	-
Total	\$ 11,996,656	\$ 1,199,917

* Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2020.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Deferred Inflows and Outflows (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources (a)	Deferred Inflows of Resources (b)	Amount recognized in Pension Expenses as an increase or (decrease) to Pension Expense (a) - (b)
2020	\$ 3,572,379	\$ 326,203	\$ 3,246,176
2021	2,547,098	150,127	2,396,971
2022	1,762,026	1,586,946	175,080
2023	-	344,663	(344,663)
2024	-	-	-
Thereafter	-	-	-

Plan Description

TRS is a mandatory-participation, multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at trs.mt.gov.

Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan (Tier One). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier (Tier Two), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Summary of Benefits (Continued)

- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - $1.85\% \times \text{AFC} \times \text{years of creditable service}$ - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Overview of Contributions

The System receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. The System also receives 0.11% of reportable compensation from the State's general fund for all TRS Employers including State Agency and University System Employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

The table on the following page shows the legislated contribution rates for TRS members, employers, and the State.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Overview of Contributions (Continued)

	School District and Other Employers			Total Employee & Employer
	Members	Employers	General Fund	
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.51%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.81%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

TRS Stand-Alone Statements

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/TrsInfo/NewsAnnualReports>.

Actuarial Assumptions

The TPL as of June 30, 2018, is based on the results of an actuarial valuation date of July 1, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total Wage Increases*
 - 3.25 – 7.76% for Non-University Members and
4.25% for University Members
 - *Total Wage Increases include 4.00% general wage increase assumption.
- Investment Return 7.50%
- Price Inflation 2.50%
- Postretirement Benefit Increases
 - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Actuarial Assumptions (Continued)

- Tier Two Members: the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
- Mortality among disabled members
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

*Total Wage Increases include 3.25% general wage increase assumptions.

Discount Rate

The discount rate used to measure the TPL was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year.

Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Target Allocations

Asset Class	Target Asset Allocation (a)	Real Rate of Return Arithmetic Basis (b)	Long Term Expected Portfolio Real Rate of Return* (a) x (b)
Domestic Equity	35.00%	6.68%	2.34%
International Equity	18.00%	6.98%	1.26%
Private Equity	10.00%	10.15%	1.02%
Natural Resources	3.00%	4.09%	0.12%
Core Real-Estate	7.00%	5.38%	0.38%
TIPS	3.00%	1.78%	0.05%
Intermediate Duration Bonds	19.00%	2.15%	0.41%
High Yield Bonds	3.00%	4.36%	0.13%
Cash	<u>2.00%</u>	0.81%	<u>0.02%</u>
	<u>100.00%</u>		5.72%
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return	8.22%

* The assumed rate is comprised of a 2.50% inflation rate and a real long-term expected rate of return of 5.00%.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. The recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Teachers Retirement System (Continued)

Sensitivity Analysis

	1.0% Decrease (6.50%)	Current Discount Rate (7.50%)	1.0% Increase (8.50%)
The employer's proportion of Net Pension Liability	<u>\$ 101,792,965</u>	<u>\$ 74,029,613</u>	<u>\$ 50,775,597</u>

In accordance with GASB 68 regarding the disclosure of the sensitivity of the NPL to changes in the discount rate, the above table presents the NPL calculated using the discount rate of 7.50%, as well as what the NPL would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

Summary of Significant Accounting Policies

The Teachers' Retirement System prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the NPL, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the System and additions to/deductions from TRS's fiduciary net position have been determined on the same accrual basis as they are reported by TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements. TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at <https://trs.mt.gov/TrsInfo/NewsAnnualReports>.

Public Employees Retirement System

Net Pension Liability

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are required to record and report their proportionate share of the collective NPL, Pension Expense, and Deferred Inflows and Deferred Outflows of resources associated with pensions. Employers are provided guidance in GASB Statement 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

Net Pension Liability (Continued)

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2019 and 2018, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$10,718,863 and the employer's proportionate share was 0.5136 percent.

	Net Pension Liability as of June 30, 2019	Net Pension Liability as of June 30, 2018	Percent of Collective NPL as of June 30, 2019	Percent of Collective NPL as of June 30, 2018	Change in Percent of Collective NPL
GREAT FALLS SCHOOL DISTRICT 1 & A					
Proportionate share	\$ 10,718,863	\$ 13,470,853	0.5136%	0.6917%	-0.1781%
STATE OF MONTANA					
Proportionate share					
associated with employer	<u>3,941,728</u>	<u>631,542</u>	<u>0.7579%</u>	<u>3.2186%</u>	<u>-2.4607%</u>
Total	<u>\$ 14,660,591</u>	<u>\$ 14,102,395</u>	<u>1.2715%</u>	<u>3.9103%</u>	<u>-2.6388%</u>

Changes in Actuarial Assumptions and Methods:

There were no changes in assumptions or other inputs that affected the measurement of the TPL.

Changes in Benefit Terms:

There have been no changes in benefit terms since the previous measurement date.

Changes in Proportionate Share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

Pension Expense

	Pension Expense as of June 30, 2019
GREAT FALLS SCHOOL DISTRICT 1 & A Proportionate share	\$ 286,145
STATE OF MONTANA Proportionate share associated with employer	263,067
STATE OF MONTANA Coal tax for employer	-
	\$ 549,212

At June 30, 2019 the employer recognized \$286,145 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$263,067 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$-0- from the State Statutory Appropriation from the General Fund.

Deferred Inflows and Outflows

At June 30, 2019, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 815,098	\$ -
Differences between projected and actual investment earnings	-	166,464
Changes in actuarial assumptions	911,479	-
Changes in proportion and differences between actual and expected contributions	-	2,542,670
*Contributions paid to PERS subsequent to the measurement date - FY2019 Contributions	743,240	-
Total	\$ 2,469,817	\$ 2,709,134

* Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2020.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

Deferred Inflows and Outflows (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense
2020	\$ (43,262)
2021	(73,993)
2022	(796,904)
2023	(68,398)
2024	-
Thereafter	-

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

Summary of Benefits

Eligibility for Benefit

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service; or Any age, 30 years of membership service.
Hired on or after July 1, 2011:	Age 65, 5 years of membership services; Age 70, regardless of membership service.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

Summary of Benefits (Continued)

Early Retirement

Early retirement, actuarially reduced:

- | | |
|---------------------------------|---|
| Hired prior to July 1, 2011: | Age 50, 5 years of membership service; or
Any age, 25 years of membership service. |
| Hired on or after July 1, 2011: | Age 55, 5 years of membership service. |

Second Retirement (requires returning to PERS-covered employer or PERS service):

Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit.

- A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- GABA starts on the recalculated benefit in January after receiving the new benefit for 12 months.

Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- The same retirement as prior to the return to service;
- A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's Highest Average Compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

Summary of Benefits (Continued)

Compensation Cap

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Monthly Benefit Formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

The state Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

Overview of Contributions (Continued)

Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as *special funding*. Those employers who received *special funding* are all participating employers.

Not Special Funding

Per Montana Law, state agencies and universities paid their own additional contributions. The employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State &	Local Government		School Districts	
	Hired < 7/1/11	Hired >7/1/11	Universities Employer	Employer	State	Employer	State
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	6.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period has dropped below 25 years and remains below 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

Overview of Contributions (Continued)

- c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non Employer Contributions
- a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The state contributed a Statutory Appropriation from the General Fund of \$33,454,182.

Stand-Alone Statements

The financial statements of the Montana Public Employees' Retirement Board's (PERB) *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, 406-444-3154 or the MPERA website at <http://mpera.mt.gov>.

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

- | | |
|--|-------------|
| • Investment Return (net of admin expense) | 7.65% |
| • Admin Expense as a % of Payroll | 0.26% |
| • General Wage Growth* | 3.50% |
| *includes Inflation at | 2.75% |
| • Merit Increases | 0% to 4.80% |

Guaranteed Annual Benefit Adjustment (GABA) each January

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

Guaranteed Annual Benefit Adjustment (GABA) each January (Continued)

Mortality assumptions among contributing members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.

Mortality assumptions among Disabled Members are based on RP-2000 Combined Employee Mortality Tables with no projections.

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The most recent analysis, performed for the period covering fiscal year 2011 and 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan asset is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the table on the next page.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

Target Allocations (Continued)

Asset Class	Target Asset Allocation	Long Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	2.6%	4.00%
Domestic Equity	36.0%	4.55%
Foreign Equity	18.0%	6.35%
Fixed Income	23.4%	1.00%
Private Equity	12.0%	7.75%
Real Estate	8.0%	4.00%
Total	<u>100.00%</u>	

Sensitivity Analysis

The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate of 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease (6.65%)	Current Discount Rate (7.65%)	1.0% Increase (8.65%)
The District's proportion of Net Pension Liability	<u>\$ 15,501,959</u>	<u>\$ 10,718,863</u>	<u>\$ 6,791,180</u>

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Public Employees Retirement System (Continued)

PERS Disclosure for the Defined Contribution Plan

The District contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The Montana Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2019, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled \$746,144.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 12. RETIREMENT PLANS (CONTINUED)

Funding Policy

	<u>TRS</u>	<u>PERS</u>
Authority to establish and amend contribution rates to plan:	State legislature	State legislature
Required plan member contributions:	8.15 % of monthly compensation	7.9 % of monthly compensation
Required employer contributions:	8.97 % of monthly compensation	8.3 % of monthly compensation
Required state contributions:	2.49 % of monthly compensation	.37 % of monthly compensation
Required employer contributions received and % of required amount:		
June 30, 2019	\$ 4,813,377 100%	\$ 757,507 100%
June 30, 2018	\$ 4,725,537 100%	\$ 730,904 100%
June 30, 2017	\$ 4,579,985 100%	\$ 736,559 100%

On-behalf payments made by the State of Montana totaled \$1,335,601 and \$33,769 for TRS and PERS, respectively, for the year ended June 30, 2019.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 13. FUND BALANCE

As of June 30, 2019, fund balances are comprised of the following:

	General Fund	Impact Aid Elementary	Building Elementary	Building High School	Nonmajor Governmental Funds	Total Governmental Funds
NONSPENDABLE						
Inventories	\$ 149,882	\$ -	\$ -	\$ -	\$ 117,110	\$ 266,992
Prepaid items	797,539	-	-	-	-	797,539
RESTRICTED						
Student transportation services	-	-	-	-	2,010,168	2,010,168
Bus depreciation costs	-	-	-	-	6,864	6,864
School food service	-	-	-	-	1,856,946	1,856,946
Retirement costs	-	-	-	-	4,305,491	4,305,491
Vacation/sick leave costs	789,267	-	-	-	-	789,267
Adult education services	-	-	-	-	229,917	229,917
Traffic education services	-	-	-	-	320,767	320,767
Facility rental	-	-	-	-	2,717	2,717
Technology costs	-	-	-	-	1,399,179	1,399,179
Building costs	-	-	24,891,729	27,319,214	2,011,526	54,222,469
Education services to federally connected children	-	9,525,018	-	-	748,046	10,273,064
Other purposes	-	-	-	-	565,465	565,465
COMMITTED						
Budgetary reserves - instruction	7,398,131	-	-	-	-	7,398,131
ASSIGNED						
Instructional services	708,143	-	-	-	6,385,017	7,093,160
Educational media services	30,606	-	-	-	-	30,606
Business services	145,004	-	-	-	-	145,004
Operation and maintenance services	70,795	-	-	-	-	70,795
UNASSIGNED						
Budgetary reappropriation	36,215	-	-	-	-	36,215
Debt service	-	-	-	-	(52,981)	(52,981)
Total fund balances	<u>\$10,125,582</u>	<u>\$9,525,018</u>	<u>\$24,891,729</u>	<u>\$27,319,214</u>	<u>\$19,906,232</u>	<u>\$ 91,767,775</u>

NOTE 14. NET POSITION

The District's calculation of net investment in capital assets is as follows:

Net capital assets	\$ 66,127,354
Less: bonds payable	(99,374,975)
Plus: unspent bond proceeds	<u>38,631,895</u>
Net investment in capital assets	<u>\$ 5,384,274</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 15. TAX ABATEMENTS

The District's property tax revenue is subject to tax abatement agreements it enters into directly, as well as indirectly by those entered into by Cascade County (the County) and the City of Great Falls (the City). Tax abatement agreements are entered into on an individual basis with businesses under the Montana Code Annotated 2015, Title 15 Taxation (the Code). Under the Code, local governments may grant property tax abatements to business with qualifying improvements or modernized processes that represent new industry or expansion of an existing industry (15-24-1402).

In the first five years after a construction permit is issued, a business' property is taxed at 50 percent of taxable value with equal percentage increases taxed until the full taxable value is attained in the tenth year. In subsequent years, the property is taxed at its full taxable value (15-10-420). For the year ended June 30, 2019, the District has not entered into any tax abatement agreements, nor has the District received any information from the City or the County regarding any indirect effects to the District, if any, regarding tax abatement agreements entered into by those entities during the fiscal year.

NOTE 16. PROPERTY LEASED TO OTHERS

The District leases some of its property to others under operating leases expiring in future years. The following is a schedule of these leases and the minimum future rentals on noncancellable operating leases as of June 30, 2019:

<u>Leased Property</u>	<u>Lessee</u>	<u>Lease Term</u>	<u>Minimum Future Rental</u>
Paris Gibson Square	Paris Gibson Square	7/1/93 to 6/30/2027	\$1/year
Skyline Education Center	Benefis Healthcare System	9/1/16 to 6/30/19	\$3,046/year
Skyline Education Center	Cascade County (MSU Extension)	9/1/19 to 6/30/2022	\$26,300/year
Soccer Complex	City of Great Falls	6/1/04 to 6/1/2029	\$1/year
Great Falls High School	Verizon	1/29/16 to 1/29/2021	\$25,462/year
Whittier Apartment #2	Flaten Family	9/16/16 to tenant move out	\$8,400/year
Whittier Apartment #3	Jones Family	4/1/16 to tenant move out	\$4,800/year
Whittier House	Telleen Family	4/22/19 to tenant move out	\$12,000/year
Roosevelt Elementary School	AT&T	1/1/13 to 1/1/2023	\$9,000/year

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 17. TRANSPORTATION CONTRACTS

The District has transportation contracts through June 30, 2023 with Big Sky Bus Lines to provide school buses for the transportation of students to and from school. Fees paid are based on a fixed rate per bus per four and one-half hour day, times 180 days per year, along with a fuel expense reimbursement amount.

NOTE 18. INTERLOCAL AGREEMENTS

Targeted Case Management

The District and the City-County Health Department, Great Falls, Montana, have entered into an interagency agreement to establish and operate a program to serve students with special health care needs and high risk infants and children. City-County Health Department provides population-based screening for infants at risk for developmental delay and/or special health needs, conduct consultation and/or referral to other disciplines/agencies and monitor referral outcomes, provide anticipatory guidance, risk reduction education and counseling, care coordination including monitoring and reassessment for infants and children at risk for developmental delay and those with special health care needs, and other nursing interventions as needed on behalf of the family, children, and adolescents.

School Resource Officer

The District has entered into an agreement with the City of Great Falls for the services of the City's Police Department for 187 days to enforce compulsory attendance provision of Title 20, Chapter 5, Part 1 of Montana Code Annotated. The City provides the District with four police officers and the equipment necessary to enforce the above mentioned provisions. The District's payment to the City was \$327,602 for the period August 30, 2018 through June 1, 2019. The District's payment to the City is to be \$336,611 for the period August 30, 2019 through June 1, 2020.

Multi-District Agreements

The District has an agreement with Cascade Public Schools, Centerville Public Schools, Belt Public Schools, Vaughn Elementary School and Sun River Valley Public Schools to collectively purchase technology supplies and equipment. The District has entered into an agreement between the Elementary and High School districts to collectively purchase classroom supplies and materials, as well as provide operations maintenance for the buildings and equipment. The Elementary District is the prime agent for the interlocal fund established for purposes of the multidistrict agreements.

NOTE 19. PENDING LITIGATION

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that these matters will not have a material adverse effect on the basic financial statements of the District.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 20. RISK MANAGEMENT

The District faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability (i.e. errors and omissions), environmental damage, workers' compensation (i.e. employee injuries), and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are paid out of the District's general fund. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

The District has contracted with Montana Schools Group Insurance Authority (renamed to Montana Schools Group Interlocal Authority effective November 2019) for workers' compensation coverage. Premiums under the policy are paid by the District.

The District maintains the Employee Health Benefit Plan (the plan) for the exclusive benefit of and to provide health benefits to its eligible employees, their legal spouses, and eligible dependents. The Plan is a self-funded health plan established to reimburse participants for covered medical expenses. The plan sponsor contracts with a claim administrator to process claims, provide claims payment and provide other claims management functions, under the director of the plan administrator. The Plan reimburses the claim administrator after claims are paid.

Employees have the option to choose between a base plan and catastrophic plan for health insurance coverage. Under each plan, the employee can choose between single, employee-spouse, employee-children and employee with family coverage. On the base plan, the District provides between \$426 and 776, depending on the coverage selected. On the catastrophic plan, the District provides between \$172 and \$438 per month, depending on the coverage selected. These amounts include an option for employees to participate in a wellness program that provides for a \$55 per month discount in the amount paid by the employee. The administrative contract between the District and the claim administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. The District is protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage. Stop-loss coverage is in effect for individual claims exceeding \$200,000 and for aggregate stop-loss coverage exceeding \$2,000,000.

The costs associated with the medical self-insurance plan are reported as inter fund transactions. Accordingly, they are treated as operating revenues in the Self Insurance Fund and operating expenditures in the General and Special Revenue funds. Liabilities of the Self Insurance fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. These claims are estimated by Blue Cross and Blue Shield of Montana, the District's insurance carrier, based on past experience.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019

NOTE 20 RISK MANAGEMENT (CONTINUED)

At June 30, 2019, the estimated claims amount to \$601,682.

Claims Payable Beginning of Fiscal Year	Claims Incurred	Claims Paid	Claims Payable End of Fiscal Year
\$ 802,615	\$ 9,789,361	\$ 9,990,294	\$ 601,682

NOTE 21. LONG-TERM CONSTRUCTION COMMITMENTS

On October 4, 2016, District voters approved \$98,865,000 in bonding capacity to address issues identified in the District’s Facilities Action Plan. For the following five years, the District will be improving the infrastructure of all buildings in the District. Two new elementary schools will be built, a connector hub will be constructed at Great Falls High School, and a multipurpose athletic facility will be added to C.M. Russell High School. Boiler replacements, electrical improvements, cement work, and roofing issues will be addressed, along with addressing the many other items identified for improvement. On February 21, 2017, the District issued \$58,710,000 in general obligation bonds to be used for these projects. The remaining \$40,155,000 in general obligation bonds were issued on March 29, 2018.

In addition to the projects financed by bonds, the District has certain construction projects in progress or awarded to contractors at June 30, 2019. Major projects include, among others, Paris Gibson High School mechanical project, Paris Gibson High School roof project, and Great Falls High School window replacement.

NOTE 22. ENCUMBRANCES

The District utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported as budget expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except as set forth in Section 20-9-209, MCA.

Open encumbrances at fiscal yearend are included in restricted, committed, or assigned fund balance, as appropriate. Total encumbrances as of June 30, 2019 for the general fund were \$954,548, all assigned, and for the non-major funds in the aggregate were \$5,213, of which \$887 were restricted.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019

NOTE 23. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2019, the District recorded in various funds prior period adjustments increasing beginning net position by \$7,451, consisting of reimbursements for prior year expenditures.

Beginning net position, as originally reported	\$ (30,815,661)
Reimbursements for the prior year	<u>7,451</u>
Beginning net position, as restated	<u><u>\$ (30,808,210)</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES				
District levy	\$ 21,218,712	\$ 21,218,712	\$ 21,351,957	\$ 133,245
Interest	12,905	12,905	30,810	17,905
Direct state aid	32,544,590	32,544,590	32,327,486	(217,104)
State guaranteed tax base subsidy	14,918,981	14,918,981	14,918,981	-
State special education	2,083,488	2,083,488	2,083,488	-
Tuition and fees	46,791	46,791	61,057	14,266
Total	<u>70,825,467</u>	<u>70,825,467</u>	<u>70,773,779</u>	<u>(51,688)</u>
EXPENDITURES				
Current:				
Regular Programs:				
Instructional services	37,863,975	37,863,975	37,656,420	207,555
Supportive services	2,719,058	2,719,058	3,414,604	(695,546)
Educational media services	2,749,498	2,749,498	1,635,120	1,114,378
General administrative services	1,572,133	1,572,133	1,792,879	(220,746)
School administrative services	4,199,069	4,199,069	4,387,164	(188,095)
Business services	2,123,707	2,123,707	2,115,569	8,138
Operation and mainten- ance services	9,681,037	9,681,037	9,111,011	570,026
Central services	185,250	185,250	-	185,250
Special Programs:				
Instructional services	2,345,790	2,345,790	2,804,737	(458,947)
Supportive services	2,512,121	2,512,121	2,559,673	(47,552)
School administrative services	-	-	228,008	(228,008)
Vocational Programs:				
Instructional services	1,908,388	1,908,388	1,722,705	185,683
Extracurricular activities	1,875,820	1,875,820	1,524,057	351,763
Capital outlay	259,627	259,627	357,406	(97,779)
Debt service	889,583	889,583	647,396	242,187
Total	<u>70,885,056</u>	<u>70,885,056</u>	<u>69,956,749</u>	<u>928,307</u>
Excess of revenues over expenditures	<u>(59,589)</u>	<u>(59,589)</u>	<u>817,030</u>	<u>876,619</u>
OTHER FINANCING SOURCES (USES)				
Resources transferred (to) from other funds				
	-	-	(675,436)	(675,436)
Cash reappropriated	59,589	59,589	-	(59,589)
	<u>59,589</u>	<u>59,589</u>	<u>(675,436)</u>	<u>(735,025)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>141,594</u>	<u>\$ 141,594</u>
Fund balance at July 1			8,240,083	
Prior period adjustment			90	
Fund balance at July 1, as restated			<u>8,240,173</u>	
Fund balance at June 30			<u>\$ 8,381,767</u>	

See Accompanying Notes to Budgetary Comparison Schedule.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO BUDGETARY COMPARISON SCHEDULE
 June 30, 2019

NOTE 1. BUDGETARY BASIS OF ACCOUNTING

The major difference between the budgetary basis of accounting and generally accepted accounting principles used in preparing the basic financial statements are the recording of encumbrances under the budgetary basis. Encumbrances allowed under state law are commitments related to unperformed contracts for the purchase of personal property or to complete construction projects. Under the budgetary basis of accounting such encumbrances are allowed to be recorded as expenditures in the year the commitments arise. Encumbrances outstanding at year-end are reported within the fund balance classifications related to the purposes for which resources have already been provided. All unexpended appropriations in funds for which appropriations are adopted lapse at year end, other than those encumbered as set forth in Section 20-9-209, MCA. Encumbered amounts will be added to the following year's budget for each fund encumbering expenditures in order to maintain budget authority. Encumbrances reported at the end of the current fiscal year must be liquidated by the end of the following fiscal year. The District utilized an encumbrance system for budgetary reporting for the year ended June 30, 2019. Encumbrances of \$954,548 of the General Fund are reflected as expenditures on the Budgetary Comparison Schedule - General Fund, for the year ended June 30, 2019.

The "actual" results of operations as presented in the Budgetary Comparison Schedule - General Fund are in accordance with the legally enacted budgetary basis to provide a meaningful comparison of actual results with budget. They do not, however, include the activity of the District's compensated absence funds which were required under GASB Statement No. 54 to be included with the activity of the general fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Adjustments necessary to convert the results of operations as of June 30, 2019 on the modified accrual basis for the general fund to the budgetary basis are as follows:

<u>General Fund</u>	
Excess of revenue over expenditures (GAAP)	\$ 649,426
Due to implementation of GASB Statement No. 54:	
Compensated absence funds' net activity for 6/30/19	167,302
Due to expenditure:	
Encumbrances at 6/30/18	279,414
Encumbrances at 6/30/19	<u>(954,548)</u>
Excess of revenue over expenditures (budget)	<u>\$ 141,594</u>

Adjustments necessary to convert fund balance as of June 30, 2019 on the modified accrual basis for the general fund to the budgetary basis are as follows:

<u>General Fund</u>	
Fund balance, 6/30/19 (GAAP)	\$ 10,125,582
Due to implementation of GASB Statement No. 54:	
Compensated absence funds' fund balance, 6/30/19	(789,267)
Due to expenditure:	
Encumbrances at 6/30/19	<u>(954,548)</u>
Fund balance, 6/30/19 (budget)	<u>\$ 8,381,767</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
June 30, 2019

GASB Statement No. 75 requires a disclosure of the changes in the Total OPEB Liability for the last 10 fiscal years, or as many years as available, as well as the sources of the changes. See Note 11 to the financial statements for additional information on the significant assumptions used in calculating the calculation of the Total OPEB Liability.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 364,098	\$ 350,094	\$ 336,629
Interest	198,116	175,417	165,682
Changes of benefit terms	-	-	-
Differences between expected and actual experience	811,095	-	-
Change of assumptions	152,834	-	-
Benefit payments	(43,992)	(47,448)	(46,678)
Implicit rate subsidy fulfilled	<u>(212,131)</u>	<u>(178,560)</u>	<u>(175,661)</u>
Net changes in total OPEB liability	1,270,020	299,503	279,972
Total OPEB liability, beginning of year	<u>5,424,413</u>	<u>5,124,910</u>	<u>4,844,938</u>
Total OPEB liability, end of year	<u>\$ 6,694,433</u>	<u>\$ 5,424,413</u>	<u>\$ 5,124,910</u>
Covered employee payroll	<u>\$ 35,716,812</u>	<u>\$ 40,084,167</u>	<u>\$ 38,542,468</u>
District's total OPEB liability as a percentage of covered-employee payroll	<u>18.74%</u>	<u>13.53%</u>	<u>13.30%</u>

Changes in the Total OPEB Liability	<u>2019</u>	<u>2018</u>	<u>2017</u>
Balance as of June 30	\$ 5,424,413	\$ 5,124,910	\$ 4,844,938
Changes for the year:			
Service cost	364,098	350,094	336,629
Interest	198,116	175,417	165,682
Differences between expected and actual experience	811,095	-	-
Change of assumptions	152,834	-	-
Benefit payments	(43,992)	(47,448)	(46,678)
Implicit rate subsidy fulfilled	<u>(212,131)</u>	<u>(178,560)</u>	<u>(175,661)</u>
Net change	<u>1,270,020</u>	<u>299,503</u>	<u>279,972</u>
Balance as of June 30	<u>\$ 6,694,433</u>	<u>\$ 5,424,413</u>	<u>\$ 5,124,910</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITIES
 June 30, 2019

	Measurement Date <u>Reporting Date</u>	June 30, 2018 <u>June 30, 2019</u>	June 30, 2017 <u>June 30, 2018</u>	June 30, 2016 <u>June 30, 2017</u>	June 30, 2015 <u>June 30, 2016</u>	June 30, 2014 <u>June 30, 2015</u>
Schedule of Proportionate Share of the Net TRS Pension Liability For the Last Ten Fiscal Years*						
Employer's proportionate share of the net pension liability associated with the Employer		3.98840%	3.98210%	3.96890%	3.91890%	3.78570%
Employer's proportion of the net pension liability	\$	74,029,613	\$ 67,140,901	\$ 72,505,971	\$ 64,387,569	\$ 58,255,724
State of MT proportionate share of the net pension liability associated with the Employer		<u>45,976,833</u>	<u>42,618,104</u>	<u>47,236,171</u>	<u>43,106,917</u>	<u>39,899,529</u>
Total		<u>\$ 120,006,446</u>	<u>\$ 109,759,005</u>	<u>\$ 119,742,142</u>	<u>\$ 107,494,486</u>	<u>\$ 98,155,253</u>
Employer's covered payroll	\$	53,273,692	\$ 52,522,247	\$ 51,517,925	\$ 49,974,262	\$ 47,740,336
Employer's proportionate share of the net pension liability as a percentage of its covered payroll		138.961%	127.833%	140.739%	128.841%	122.026%
Plan fiduciary net position as a percentage of the total pension liability		69.09%	70.09%	66.69%	69.30%	70.36%
Schedule of Proportionate Share of the Net PERS Pension Liability For the Last Ten Fiscal Years*						
Employer's proportionate share of the net pension liability associated with the Employer		0.51360%	0.69170%	0.71720%	0.75370%	0.78815%
Employer's proportion of the net pension liability	\$	10,718,863	\$ 13,470,853	\$ 12,216,426	\$ 10,535,710	\$ 9,820,461
State of MT proportionate share of the net pension liability associated with the Employer		<u>3,941,728</u>	<u>631,542</u>	<u>570,942</u>	<u>495,071</u>	<u>459,074</u>
Total		<u>\$ 14,660,591</u>	<u>\$ 14,102,395</u>	<u>\$ 12,787,368</u>	<u>\$ 11,030,781</u>	<u>\$ 10,279,535</u>
Employer's covered payroll	\$	8,735,200	\$ 8,866,079	\$ 8,880,760	\$ 9,094,138	\$ 9,250,179
Employer's proportionate share of the net pension liability as a percentage of its covered payroll		122.710%	151.940%	137.560%	115.852%	111.220%
Plan fiduciary net position as a percentage of the total pension liability		73.47%	73.75%	74.71%	78.40%	79.87%

*The amounts presented above for each fiscal year were determined as of June 30th, the measurement date.
 Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 SCHEDULE OF CONTRIBUTIONS
 June 30, 2019

	Measurement Date <u>Reporting Date</u>	June 30, 2018 <u>June 30, 2019</u>	June 30, 2017 <u>June 30, 2018</u>	June 30, 2016 <u>June 30, 2017</u>	June 30, 2015 <u>June 30, 2016</u>	June 30, 2014 <u>June 30, 2015</u>
Schedule of TRS Contributions For the Last Ten Fiscal Years*						
Contractually required contributions		\$ 5,323,176	\$ 5,144,064	\$ 4,832,010	\$ 4,899,704	\$ 4,784,242
Contributions in relation to the contractually required contributions		\$ 5,323,176	\$ 5,144,064	\$ 4,832,010	\$ 4,899,704	\$ 4,784,242
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll		\$ 53,638,597	\$ 53,273,692	\$ 52,522,247	\$ 51,517,925	\$ 49,974,262
Contributions as a percentage of covered payroll		9.9242%	9.6559%	9.1999%	9.5107%	9.5734%
Schedule of PERS Contributions For the Last Ten Fiscal Years*						
Contractually required contributions		\$ 743,241	\$ 715,223	\$ 718,156	\$ 727,118	\$ 736,501
Contributions in relation to the contractually required contributions		\$ 743,241	\$ 715,223	\$ 718,156	\$ 727,118	\$ 736,501
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll		\$ 8,954,736	\$ 8,722,181	\$ 8,866,027	\$ 8,880,760	\$ 9,094,138
Contributions as a percentage of covered payroll		8.3000%	8.2000%	8.1000%	8.1880%	8.0800%

*The amounts presented above for each fiscal year were determined as of June 30th, the measurement date.
 Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2019

Teachers Retirement System

Changes of Benefit Terms:

The following changes to the plan provisions were made as identified:

The 2013 Montana Legislature passed HB 377 which provides additional revenue and created a two tier benefit structure. A Tier One Member is a person who first became a member before July 1, 2013 and has not withdrawn their member's account balance. A Tier Two Member is a person who first becomes a member on or after July 1, 2013 or after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

The second tier benefit structure for members hired on or after July 1, 2013 is summarized below.

- (1) **Final Average Compensation:** average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- (2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- (3) **Early Retirement:** Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
- (4) **Professional Retirement Option:** if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%
- (5) **Annual Contribution:** 8.15% of member's earned compensation
- (6) **Supplemental Contribution Rate:** On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
 - a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
 - b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
 - c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
- (7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2019

Teachers Retirement System (Continued)

Changes of Benefit Terms (Continued):

(8) Guaranteed Annual Benefit Adjustment (GABA):

- a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

HB 377 increased revenue from the members, employers and the State as follows:

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
 - School Districts contributions will increase from 7.47% to 8.47%
 - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
 - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in Actuarial Assumptions and Other Inputs:

The following changes to the actuarial assumptions were adopted in 2018:

- Assumed rate of inflation was reduced from 3.25% to 2.5%.
- Payroll growth assumption was reduced from 4.00% to 3.25%.
- Investment return assumption was reduced from 7.75% to 7.5%.
- Wage growth assumption was reduced from 4.00% to 3.25%.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2019

Teachers Retirement System (Continued)

Changes in Actuarial Assumptions and Other Inputs (Continued):

- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.

Tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022,
- Retirement rates were updated.
- Termination rates were updated.
- Rates of salary increases were updated.

The following changes to the actuarial assumptions were adopted in 2016:

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the \$500 death benefit after termination.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
 June 30, 2019

Teachers Retirement System (Continued)

Changes in Actuarial Assumptions and Other Inputs (Continued):

The following changes to the actuarial assumptions were adopted in 2014:

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

- Mortality among disabled members was updated to the following:

For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	22 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 to 8.51 percent, including inflation for Non-University Members and 5.00% for University Members;
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
GREAT FALLS, MONTANA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
June 30, 2019

Public Employees Retirement System

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2017 Changes:

Working Retiree Limitations – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest Credited to Member Accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum Payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contributions (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)
 June 30, 2019

Public Employees Retirement System (Continued)

2017 Changes (Continued):

Changes in Actuarial Assumptions and Methods

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The following Actuarial Assumptions were adopted from the June 30, 2016 Experience Study:

General Wage Growth *	3.50%
Investment Rate of Return *	7.65%
*Includes Inflation	2.75%
Merit salary increases	0% to 4.80%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expenses as % of Payroll	0.26%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

OTHER SUPPLEMENTAL SCHEDULES

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUND ACCOUNTS -
 EXTRACURRICULAR FUND
 For the Year Ended June 30, 2019

	Beginning Balance	Revenues	Expenditures	Ending Balance
Administration Building				
Unallocated increase in fair market value of investments	\$ 24,947	\$ 27,415	\$ -	\$ 52,362
Alternative education	59,291	56,890	57,734	58,447
Indian education	5,677	7,115	91	12,701
Special education	420	1,404	1,682	142
	<u>90,335</u>	<u>92,824</u>	<u>59,507</u>	<u>123,652</u>
Elementary Schools				
Giant Springs School	-	6,598	4,547	2,051
Lewis & Clark School	390	4	-	394
Lincoln School	287	69	-	356
Longfellow School	1,500	426	414	1,512
Loy School	3,434	2,616	1,613	4,437
MeadowLark School	856	2,069	1,973	952
Morningside School	4,722	44	155	4,611
Mountain View School	2,814	207	3	3,018
Riverview School	914	2,978	2,102	1,790
Roosevelt School	995	1	995	1
Sacajawea School	3,575	1,323	2,165	2,733
Sunnyside School	469	4	-	473
Valleyview School	2,149	19	317	1,851
Whittier School	2,629	1,759	3,532	856
	<u>24,734</u>	<u>18,117</u>	<u>17,816</u>	<u>25,035</u>
Middle Schools				
East Middle School	41,497	25,313	27,352	39,458
North Middle School	34,390	80,114	81,596	32,908
	<u>75,887</u>	<u>105,427</u>	<u>108,948</u>	<u>72,366</u>
High Schools				
Great Falls High School	431,697	916,711	936,628	411,780
C.M. Russell High School	597,035	1,063,320	1,025,329	635,026
	<u>1,028,732</u>	<u>1,980,031</u>	<u>1,961,957</u>	<u>1,046,806</u>
Total	<u>\$ 1,219,688</u>	<u>\$ 2,196,399</u>	<u>\$ 2,148,228</u>	<u>\$ 1,267,859</u>

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 GREAT FALLS, MONTANA
 SCHEDULE OF ENROLLMENT
 Fiscal Year Ended June 30, 2019

	Elementary <u>District</u>	High School <u>District</u>
<u>Fall Enrollment 10/1</u>		
Reported Enrollment Totals per "2018-2019 School Fall Reports"	<u>7,231</u>	<u>2,915</u>
Reported Enrollment Totals per 2018-2019 School Attendance Enrollment Counts	<u>7,231</u>	<u>2,915</u>
<u>Spring Enrollment 2/4</u>		
Reported Enrollment Totals per "2018-2019 School Spring Reports"	<u>7,203</u>	<u>2,806</u>
Reported Enrollment Totals per 2018-2019 School Attendance Enrollment Counts	<u>7,203</u>	<u>2,806</u>

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Great Falls School District 1 & A
Cascade County
Great Falls, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
December 16, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Great Falls School District 1 & A
Cascade County
Great Falls, Montana

Report on Compliance for Each Major Federal Program

We have audited Great Falls School District 1 & A, Cascade County, Great Falls, Montana's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts and grants applicable its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of compliance requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
December 16, 2019

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

<u>Project</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Award</u>	<u>Cash Balance 07/01/18</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Cash Balance 06/30/19</u>
U. S. Department of Education							
Passed Through State of Montana							
Office of Public Instruction							
<i>Title I - Part A Cluster</i>							
Title I - Part A (Elem)	84.010	07-00-9831-19	\$ 160,209	\$ -	\$ 124,531	\$ 124,531	\$ -
Title I - Part A (Elem)	84.010	07-00-9832-19	3,559,844	-	3,429,620	3,466,818	(37,198)
Title I - Part A (Elem)	84.010	07-00-9832-18	3,456,920	<u>(59,763)</u>	<u>59,763</u>	<u>-</u>	<u>-</u>
<i>Subtotal Title I - Part A Cluster</i>				<u>(59,763)</u>	<u>3,613,914</u>	<u>3,591,349</u>	<u>(37,198)</u>
<i>Special Education Cluster (IDEA)</i>							
Idea B (Elem)	84.027	07-00-9879-19	80,379	-	80,379	80,379	-
Idea B (Elem)	84.027	07-00-9877-19	2,843,840	-	2,308,591	2,534,394	(225,803)
Idea B (Elem)	84.027	07-00-9877-18	3,121,047	<u>(230,084)</u>	<u>230,084</u>	<u>-</u>	<u>-</u>
<i>Subtotal Special Education Cluster (IDEA)</i>				<u>(230,084)</u>	<u>2,619,054</u>	<u>2,614,773</u>	<u>(225,803)</u>
Title I - Part D (HS)	84.013	07-00-9942-19	129,150	-	129,150	129,150	-
<i>Subtotal Title I Part D</i>				<u>-</u>	<u>129,150</u>	<u>129,150</u>	<u>-</u>
Title I - Part E (Elem)	84.371	07-00-9835-18	295,000	(3,508)	135,366	131,858	-
Title I - Part E (Elem)	84.371	07-00-9835-19	586,500	-	420,583	427,590	(7,007)
<i>Subtotal Title I Part E</i>				<u>(3,508)</u>	<u>555,949</u>	<u>559,448</u>	<u>(7,007)</u>
Title II - Part A (Elem)	84.367	07-00-9814-19	32,758	-	13,108	13,108	-
<i>Subtotal Title II Part A</i>				<u>-</u>	<u>13,108</u>	<u>13,108</u>	<u>-</u>
Title IV (Elem)	84.424	07-00-9852-19	185,373	-	185,373	185,373	-
<i>Subtotal Title IV</i>				<u>-</u>	<u>185,373</u>	<u>185,373</u>	<u>-</u>
Vo Ed Carl D Perkins - Basic (HS)	84.048	07-00-9981-19	199,804	-	199,804	199,804	-
<i>Subtotal Vo Ed Carl Perkins</i>				<u>-</u>	<u>199,804</u>	<u>199,804</u>	<u>-</u>
Title X - Part C (Elem)	84.196	07-00-9857-19	25,024	-	25,024	25,024	-
<i>Subtotal Title X Part C</i>				<u>-</u>	<u>25,024</u>	<u>25,024</u>	<u>-</u>
PL 81-874 (Elem)	84.041	N/A	N/A	8,850,801	873,298	199,082	9,525,017
PL 81-874 (HS)	84.041	N/A	N/A	712,979	80,685	45,617	748,047
<i>Subtotal PL 81-874</i>				<u>9,563,780</u>	<u>953,983</u>	<u>244,699</u>	<u>10,273,064</u>
Total U. S. Department of Education				<u>9,270,425</u>	<u>8,295,359</u>	<u>7,562,728</u>	<u>10,003,056</u>
U. S. Department of Agriculture							
Passed Through State of Montana							
Office of Public Instruction							
National School Lunch Program							
Federal Reimbursement (Elem)	10.555	N/A	N/A	-	3,376,922	3,376,922	-
Commodities (Elem)	10.555	N/A	N/A	126,323	307,922	298,071	136,174
Summer Program (Elem)	10.559	N/A	N/A	-	79,456	79,456	-
Total U. S. Department of Agriculture				<u>126,323</u>	<u>3,764,300</u>	<u>3,754,449</u>	<u>136,174</u>
Total Federal Awards				<u>\$ 9,396,748</u>	<u>\$ 12,059,659</u>	<u>\$ 11,317,177</u>	<u>\$ 10,139,230</u>

See accompanying Notes to Schedule.

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

NOTE 1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Great Falls School District 1 & A, Cascade County, Great Falls, Montana. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The School District's reporting entity is defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditure of Federal Awards is presented using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All federal awards received, cash and noncash, is included, as well as all federal awards expended or consumed. Such expenditures are recognized following the cost principles contained in the Uniform Guidance from Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*.

NOTE 3. INDIRECT COSTS

The District did not elect to use the 10% de minimis indirect cost rate from Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*.

GREAT FALLS SCHOOL DISTRICT 1 & A
 CASCADE COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2019

Summary of Auditor Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? None

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements? No

Federal Awards:

Internal control over major programs:

Material weakness identified? None

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? None

The major programs for the year ended June 30, 2019, are as follows:

	<u>CFDA#</u>
IDEA	84.027/84.173
Impact Aid	84.041

Dollar threshold used to distinguish Type A programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Findings Relating to Basic Financial Statements

None

Findings Relating to Federal Awards

None

GREAT FALLS SCHOOL DISTRICT 1 & A
CASCADE COUNTY
STATUS OF PRIOR AUDIT FINDINGS
June 30, 2019

Previously noted deficiencies of Great Falls School District 1 & A, Cascade County, Great Falls, Montana, and their current status are as follows:

Finding #2018-001

Condition: Several audit adjustments were made to the trial balance to account for activity of the District.

Recommendation: The District should continue to send appropriate in-house individuals to training courses on new accounting standards to ensure balances are up to date and all activity of the District is properly recorded.

Current Status: Significant adjustments to the trial balance were all made by the District in the current year to account for activity of the District.



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